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SURVEY OF THE GRADUATES OF THE SMALL BUSINESS ADMINISTRATION SECTION 8(a) MINORITY BUSINESS DEVELOPMENT PROGRAM

REPORT

OF THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

MAY 12, 1987

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CHAPTER I.—INTRODUCTION

The Senate Committee on Small Business has legislative and oversight responsibility for the Small Business Administration (SBA) and all of its programs. This report presents the Committee's findings from a national survey that was conducted of firms that have graduated from the Section 8(a) SBA Minority Small Business program, pursuant to Public Law 96-481 enacted in October 1980. This law required that definite graduation dates be set for all firms participating in the 8(a) program. The Committee conducted the survey in order to determine the status of 8(a) firms that graduated since enactment of Public Law 96-481 and to assess the effectiveness of the business development aspects of the program in preparing firms for the competitive marketplace.

The survey was mailed to 461 graduated 8(a) firms on August 14, 1986; 177 responses were received, resulting in a response rate of 38 percent. A brief synopsis of the Committee's major findings is presented below. These findings are given in greater detail later in the report.

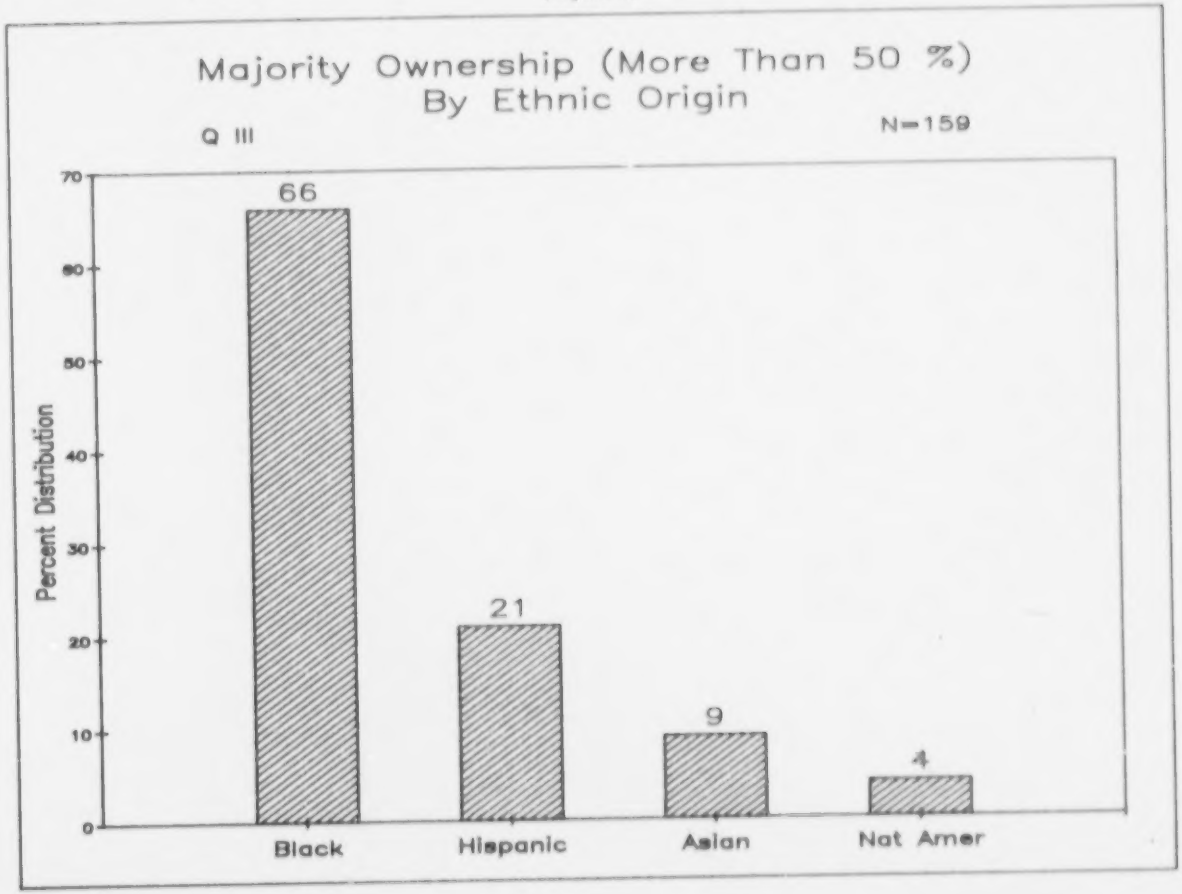
- Most graduated firms have remained in the same industries with a majority being concentrated in construction or related fields and janitorial services and maintenance. Very few of the survey respondents were in manufacturing or hi-tech industries—other areas of significant federal government contracting activity.
- In measuring the healthiness of firms that responded, most owners said they were doing well enough to get by or doing very well. According to financial and other numerical data provided by these respondents, such as number of employees, sales, and net profits, more than 100 of the 177 respondents ranked in the top quartile of minority small businesses nationally.
- Only 18 of the 177 firms responded that they were no longer in business. This would result in an "Out of Business" Rate of about 10 percent over 4 years (1982-86) or about 2.5 percent each year for the owners that responded. However, the overall possible Out of Business Rate for all firms in the original sample is much higher. With the aid of Dun and Bradstreet, extensive telephoning and multiple mailings by Committee staff, the Out of Business Rate was determined to range from 21 to 30 percent or 5.2 to 7.5 percent over each of 4 years.
- Most respondents viewed the 8(a) program as a contracts program but sharply criticized it as a business development vehicle which would include management and technical assistance as well as contract support.
- Many firms felt they were "dropped" from the program and that neither SBA nor the Minority Business Development Agency (MBDA) at the Department of Commerce provided

transitional help or a phase-out period of assistance prior to or after graduation. Most firms said they were not contacted by MBDA at all, before or after graduation.

- The impact of graduation on firms produced mixed and, in some cases, contradictory results. Some respondents said graduation had a devastating effect and that their firm failed or failed to grow after leaving the program. However, most firms said they would *not* likely go out of business because of graduation and that they were becoming competitive in the private sector.
- A majority of the respondents felt they did not have enough time in the program. Many firms felt the optimum length of time for participation should be 10 years, rather than the 5 to 7 presently allowed. However, most firms felt the program should be based on the firm's development, not number of years. On an average, firms that responded to the survey were in the program for 9 years.
- Slightly more than half of the survey respondents indicated they continued to receive federal government contracts as well as commerical contracts after graduating and entering the competitive marketplace. Slightly less than half of the respondents said they also won state and local government contracts. However, very few have become subcontractors to major prime contractors.
- Of the 177 firms that responded, only one shifted from 100 percent minority to 100 percent non-minority ownership; the remainder maintained original ownership or, in the case of four firms, shifted to no majority.

See Figure A.

Figure A


Majority Ownership (More Than 50 %)
By Ethnic Origin
Q III
N=159
Percent Distribution
70
60
50
40
30
20
10
0
66
21
9
4
Black
Hispanic
Asian
Nat Amer

Each of the findings is presented, with statistical data and comments in Chapter IV of this report.

CHAPTER II.—LEGISLATIVE HISTORY AND PURPOSE OF THE 8(a) PROGRAM

For the past two decades the Federal Government has been actively involved in promoting programs to foster the economic development and ownership of businesses by minorities. The SBA 8(a) program—named after a section of the Small Business Act—is one of the Federal Government's principal minority business programs.

Originally, Section 8(a) was established to give SBA the authority to contract with other federal agencies and to subcontract the work to small businesses. SBA did not exercise the authority, however, until 1967 when President Johnson ordered that it be used to direct contracts for businesses located in distressed urban communities in order to create jobs. In 1969, SBA redesigned the program to give federal contract support to small firms owned by socially or economically disadvantaged persons. In a ten-year period, from 1970 to 1980, the 8(a) program grew to include approximately 2,000 firms. These firms primarily were provided contract assistance.

Following publicized abuses, General Accounting Office (GAO) investigations and Congressional hearings to review the operation of the program, Congress provided a statutory basis and direction for this program with the enactment of Public Law 95-507. This Committee concluded that as the program had been administered, it lacked any specific mission except to provide contract assistance and that it failed to foster "business development, which would permit participating minority businesses to competitively operate in the private sector without a dependency on government contracts." Thus, Public Law 95-507 made significant amendments to the Small Busines Act to restructure the 8(a) program and established within SBA an Office of Minority Small Business to emphasize business development.

Specifically, the law created the position of Associate Administrator for Minority Small Business and Capital Ownership and Development (MSB/COD). This office was given the responsibility for operation of the 8(a) program and the authority under section 7(j) of the Small Business Act to provide management and technical assistance to minority businesses. Under subsection 7(j)(1-9), SBA was given broad authority to assist minority businesses. Section 7(j)(10) established the Capital Ownership and Development Program (COD) exclusively for firms participating in the 8(a) program. Among other things, the law required SBA to assist 8(a) firms to develop business plans with specific business targets, objectives, and goals. Also, Section 211 of Public Law 95-507 created a subcontracting program to encourage major prime contractors to provide subcontracting opportunities for small and small disadvantaged businesses. Under this statutory framework, Congress sought to provide the SBA with a full range of financial, management, as well as contractual resources to promote the development of firms that participated in the 8(a) program. Implicit in this restructuring of the program was the notion that, after receiving assistance in

the SBA 8(a) program, firms would graduate into the competitive marketplace.

Concerned that SBA had not moved in a timely fashion to establish and implement program completion criteria and that few firms had left the 8(a) program prior to 1980, Congress enacted Public Law 96-481, October 1980. This law required the SBA to negotiate with each firm in the portfolio, and each new firm entering the program a fixed period of time to participate. The law required that SBA establish graduation dates for all firms in the Section 8(a) program within eighteen months of the date of enactment, or by April 1982.

Through regulations, SBA established a system of fixed program participation terms (FPPTs) which limited a firm's participation in the program to an original term of up to 5 years with a possible two-year extension. Following full implementation of these regulations, concerns were raised that large numbers of firms graduating from the program under the FPPT system would go out of business because they would no longer have 8(a) contract support. The Committe heard horror stories that as many as 400 firms would go out of business as a result of the FPPT.

Partly in response to those concerns, in March 1983 the Committee held an oversight hearing on the implementation of federal minority assistance programs. The principal witnesses at this hearing were the heads of the two agencies with primary responsibilities for federal minority business programs, the Administrator of the SBA and the Secretary of the Department of Commerce. During the hearing, the Secretary and the Administrator presented a comprehensive proposal for promoting minority business development. One important element of their overall game plan was a transition program for 8(a) graduating firms to be administered by both MBDA in the Department of Commerce and the SBA. Under this transitional program, two years prior to a firm's graduation date the SBA would submit to MBDA the names and other information relating to each firm. Through its nationwide network of business development centers, MBDA would then contract prospective graduates and begin to prepare them for graduation by developing contracting opportunities in the commercial marketplace, either government contracting or with private companies. An Interagency Agreement was signed by SBA and MBDA to coordinate their activities, for example, by helping prospective 8(a) concerns prepare their application for the program. See Appendix D, Interagency Agreement.

Since the 1983 hearing, the Committee has been concerned about the survival rate of program graduates and the operation of the transition program. In December 1983, for example, Committee staff visited a MBDA business development center (BDC) in Seattle, Washington. In a letter to the Secretary of Commerce and the Administrator of SBA, Senator Weicker wrote of his concern after hearing the Committee staff report that:

> (a) The BDC was totally unaware of the interagency agreement between SBA and MBDA that had been made more than 6 months earlier;
>
> (b) No steps had been taken to contact the 8(a) graduates in that region;

(c) SBA and MBDA district offices had not met to discuss implementation of the transition proposal.

Since then, Committee staff has come to understand that the transition plans presented at the hearing have not been implemented by most MBDC's.

Prior to the enactment of Public Law 96-481, from 1970-1980, SBA graduated about 200 firms from the 8(a) program in a 10-year period. Since enactment of the law, SBA has graduated more than 600 firms in about 4 years. To begin to evaluate the effectiveness of the 8(a) program as a vehicle for business development and to determine what has happened to firms since graduation, the Committee, on August 14, 1986, sent a survey to minority-owned firms that had graduated from October 1982 through February 1986. The survey solicited information on the profile of the firms, such as the percentage of minority ownership, primary line of business, and the participants' opinions and views on the strengths and weaknesses of 8(a) as a comprehensive business development program. This survey represents the Senate Committee's first attempt to (a) measure the impact of graduation on 8(a) firms, pursuant to Public Law 96-481; and (b) gather information from former participants as to the effectiveness of the 8(a) program in preparing minority businesses to survive in the private sector.

Chapter III.—Survey Methodology

A. MECHANICS

In creating and structuring the survey instrument, Committee staff met with SBA personnel responsible for administering the 8(a) program. Minority business associations were also contacted and asked to provide input and make recommendations for changes in the initial draft of the survey. The Senate Service Department printed and produced the final survey instrument. The Congressional Research Service (CRS) of the Library of Congress provided assistance in the formulation of questions and statistical analysis, along with the Senate Computer Center, which also tabulated results and provided graphics and annotations.

The Committee relied on computer listings provided by SBA's Central Office for the most current addresses of graduated firms for the initial mailing. In addition, SBA's ten Regional offices provided the Committee with information on each of the graduates from a pre-survey questionnaire that was also created by Committee staff and SBA personnel. Unfortunately, a number of the addresses were out-dated or inaccurate, and lists of graduates provided by Central Office were in many cases different than those from Regional Offices. As a result, Committee staff expended an unexpectedly high number of man-hours seeking current information and updating lists in order to reduce the deluge of "Return to Sender" or "No Forwarding Address" letters that were returned after the initial mailing.

The survey was mailed, with an attached letter of explanation and appeal signed by, then Chairman Weicker and Ranking Minority Member Bumpers on August 14, 1986. The sample included a total of 461 firms that had left the program in a 4-year span from October 1982 through February 1986 under a fixed program partici-

pation term (FPPT) pursuant to Public Law 96-481.[1] Three subsequent mailings followed, and telephone calls, where numbers could be found, were made to companies in the sample to urge a response. The final response rate for the survey was 38 percent as presented in Figure B.

Figure B

SBA region [1]	Total received	Total sent	Total response rate (percent)	Total return to sender	Total no response
	A	B	(A÷B × 100)		
I	19	40	48	10	11
II	16	41	39	10	15
III	35	111	32	40	36
IV	23	55	42	8	24
V	5	30	17	5	20
VI	25	51	49	11	15
VII	5	14	36	4	5
VIII	11	22	50	3	8
IX	24	58	41	11	23
X	14	39	36	13	12
Total	177	461	38	115	169

[1] See Appendix C for a summary of regional statistics and states located in each of the ten regions.

As mentioned earlier, the number of "Return to Sender" or "No Forwarding Address" letters that came back to the Committee was inordinately high after the first mailing. The number was finally reduced to 115 after three mailings to try to reach the firms.

Committee staff then made a final effort to locate the 115 firms by telephone, even to the extent of calling private homes where a phone number could be found. The final outcome was that 89 firms were classified "unreachable" or "unlocated". Of those reached, 14 were still in business and 12 said they were no longer operating.

The Committee received "No Response" from 169 firms that presumably had received the survey. In order to present as complete a picture as possible of the status of all firms in the original sample, these businesses were also contacted by telephone by the Committee staff. Although surveys had not come back as "Return to Sender" from this group, 31 could not be reached by telephone; 119 firms were still operating and 19 were out of business. See Chapter IV, Section C for more detail on the total "Out of Business" rate of 8(a) firms.

B. LIMITATIONS

The findings presented in this report represent a summary and analysis of the perceptions and opinions of the respondents as to the effectiveness of the 8(a) program in providing business development assistance and preparing these firms for the competitive marketplace. Thus, the scope of inquiry of the survey included only those questions that Committee staff believed, in the final analysis, would best provide pertinent information in these areas.

[1] The total number of firms included in the initial sample was 497, but was reduced to 461 because the mailing list contained firms that were still in the program, others that left prior to enactment of Public Law 96-481 and duplications.

It should also be kept in mind that information from respondents was accepted at face value. Committee staff did not attempt to check the accuracy or validity of financial or other numerical data provided. The one area of exception was graduation dates because of inconsistencies between the SBA master computer print-out and the recollection of the respondent. In most cases, however, dates from each source coincided.

Considering these limitations, the questions included in the survey were structured to gather information in the following categories:

A. General Information, including ownership, ethnic origin, number of years in the 8(a) program and graduation date;

B. Profile of firm, prior to and since graduation, in terms of primary products or services and number of employees, and sales and assets since graduation;

C. Experience of contractor while in the program and reaction to the responsiveness of its various components, including 8(a) contract awards, management and technical assistance and financial assistance.

D. Experience of contractor since graduating from the program in terms of contracts received from federal, state, and local agencies as well as from the private sector, contact made and support received from SBA and MBDA since graduation;

E. Current operating condition of the firm, future growth, most severe problems and the impact of graduation on the firm's well-being; and

F. Additional comments and recommendations on any aspect of the SBA 8(a) program.

After gathering the results and carefully weighing limitations and the problems incurred in the mailing process, Committee staff and research assistants concluded that the survey findings were consistent, factual and based on good data. Supporting this conclusion, several questions, although presented in different modes such as essay, multiple choice or ranked response, treated the same issue. When results were tabulated, consistency in a firm's responses on that issue was apparent in most cases throughout the survey regardless of the mode in which the questions were structured. Additionally, 177 firms' responses do represent the most complete information available on 8(a) graduates, and will be a factor in making recommendations for restructuring, maintaining or eliminating certain aspects of the 8(a) program. The Committee appreciates the time taken by a number of respondents, not only to provide detailed answers, but also to attach letters to the survey, further expressing their concerns or praise for the program.

Chapter IV.—Major Survey Findings

This section presents the major findings of the survey. These results were taken from tabulations, open-ended questions and attachments where trends were established. Committee comments and graphics [2] when indicated, follow each finding. The order of

[2] Graphics used throughout the report are based on questions asked of 8(a) program graduates in the survey which is printed as Appendix A. The number of the question appears at the upper left corner of each graph, for example, Q 3 refers to question three of the survey.

presentation does not reflect a ranking or rating of the issues. A total tabulation of survey results indicating responses to each question, with annotations, is provided in Appendix A of this report.

A. INDUSTRY PROFILE OF 8(a) GRADUATES: MAJORITY OF 8(a) FIRMS REMAIN IN SERVICE AND CONSTRUCTION INDUSTRIES

According to survey returns, the industries in which 8(a) graduates are largely concentrated are service and construction. Forty percent of the respondents listed construction or related fields as their primary product or services, while 20 percent of the respondents were in janitorial or maintenance services; another 11 percent were in professional/consulting services. Only 3 percent of the firms listed manufacturing and 8 percent indicated automated data processing or computer services although these are areas of significant federal government contracting activity. Firms have generally continued in the same line of business after graduating from the 8(a) program.

See Figures 1a and 1b.

Figure 1a

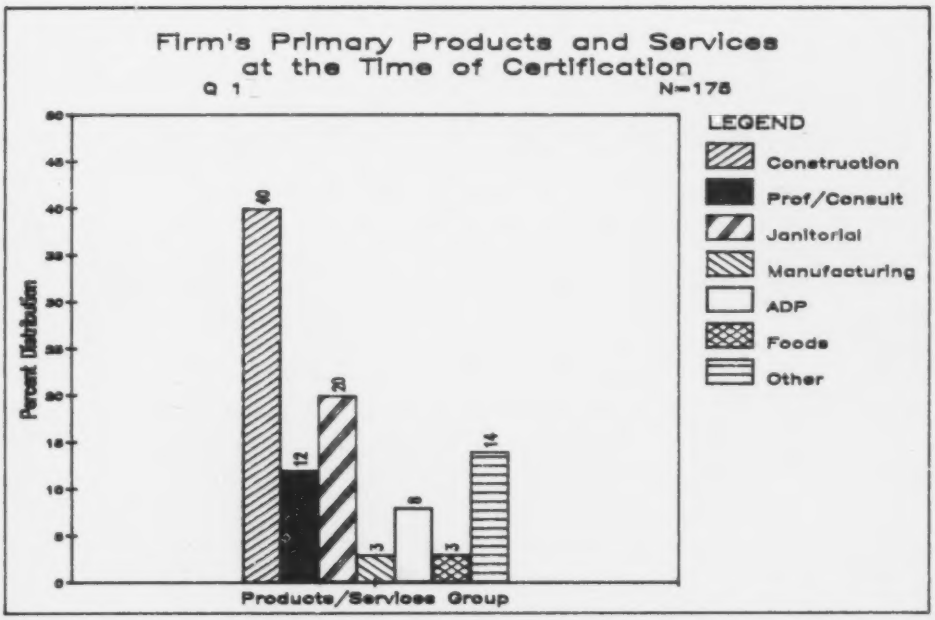
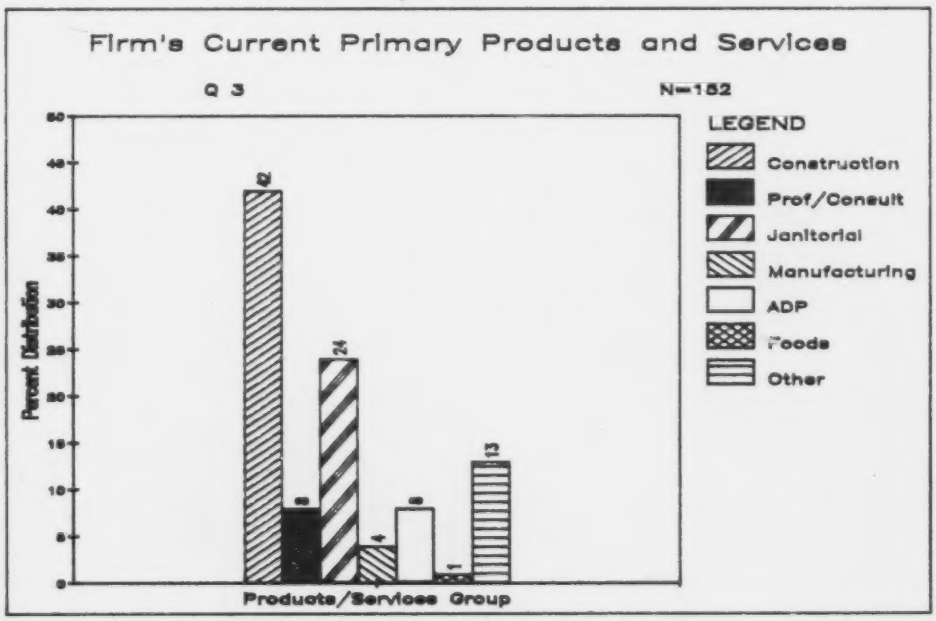


Figure 1b



Comments:

Over the years, Congress has expressed concern about the industry distribution of the 8(a) portfolio firms. This finding supports the long standing impression that the majority of firms in the 8(a) program has remained in construction, janitorial and maintenance or service industries. This distribution of the portfolio, however, does reflect the composition of the larger minority business community which also is concentrated in the construction and service industries. Since the 8(a) program offers an opportunity for minority businesses to enter the nation's economic mainstream, the Committee is particularly concerned about the small number of businesses in manufacturing and high-tech areas.

A major congressional effort to increase or expand industry penetration by minority small business has been the 8(a) pilot procurement program. Orginally authorized under Public Law 95–507, the pilot program allows SBA to select more sophisticated, large volume, long-term contracts from one federal agency, contracts which would not have been set aside in the regular 8(a) program. From 1979–1982, the program operated with the Department of the Army as the pilot agency; the program was authorized for a civilian agency from 1983–1985 and the Department of Transportation was designated. In order to allow sufficient time to test the program in a civilian agency, in 1986 the Congress reauthorized the pilot for an additional two years and recommended that it continue with the Department of Transporation. The bill was signed into law by the President on October 27, 1986, as Public Law 99–567.

The current SBA 8(a) portfolio reflects an industry distribution similar to that of survey respondents which further underscores the need to continue the pilot authority. The Committee believes that the pilot program provides SBA with a valuable tool and expects that with this extension Congress will be provided the necessary empirical data to determine if the pilot authority should be maintained or expanded. With a shift in program procedures, the types of contracts offered could well reflect a more balanced 8(a) portfolio because of greater penetration or breakthroughs in other industries, such as manufacturing and computer technology.

Another possible source for broadening opportunities in nontraditional industries for 8(a) firms is the FY 1987 Department of Defense (DOD) Authorization Act. Public Law 99–661, Section 1207, requires DOD to set aside no less than 5 percent of the Department's appropriations for procurement, research, development, testing and evaluation (RDT,E) and military construction for contracts to be awarded to small business concerns owned and controlled by socially and economically disadvantgaed individuals and other minority institutions. This historic mandate could result in minority firms receiving more contracts in nontraditional areas, such as computer systems integration, software design or other hi-tech requirements.

B. HEALTHINESS OF GRADUATED FIRMS

The survey posed a number of questions to assess the "healthiness" of firms that have graduated. Healthiness includes the owner's perception of how well the company is doing, combined

with quantitative information on profitability, as reported in the survey. Most owners said they were doing well enough to get by and, in some cases, doing very well. When asked to describe the current operating condition of their business, 22 percent said they were doing very well and 42 percent said, "Doing well enough to get by". Asked in what condition they expected their firm to be by the end of 1987, 44 percent of the owners who responded said, "Better" and 19 percent said, "The same"; only 13 percent felt they would be worse off and 24 percent were not sure.

A firm's healthiness was further analyzed by comparing the owner's opinion with more objective data such as the number of employees, total annual sales, assets, net worth and working capital.

See Figures 2 and 3.
See Appendix A, page 2.
See Appendix B.

Figure 2

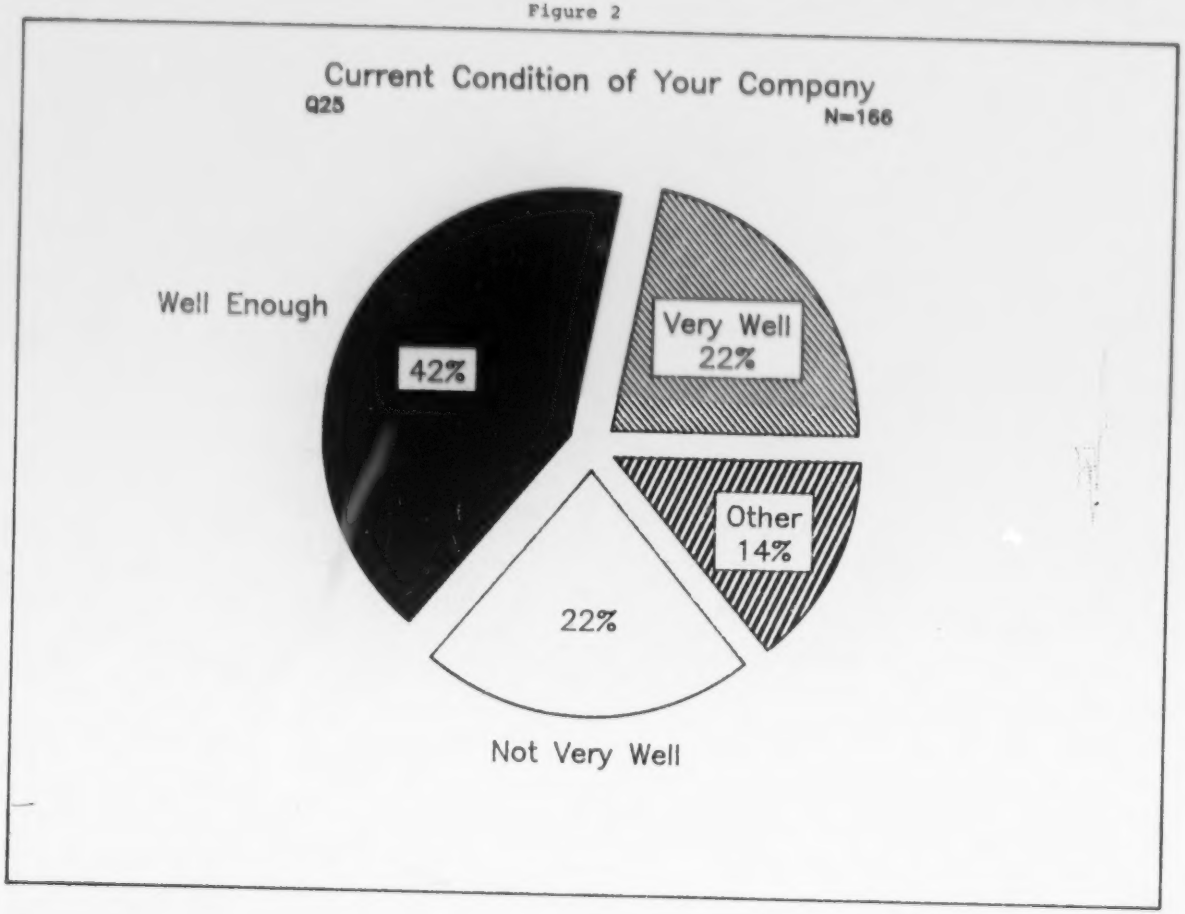
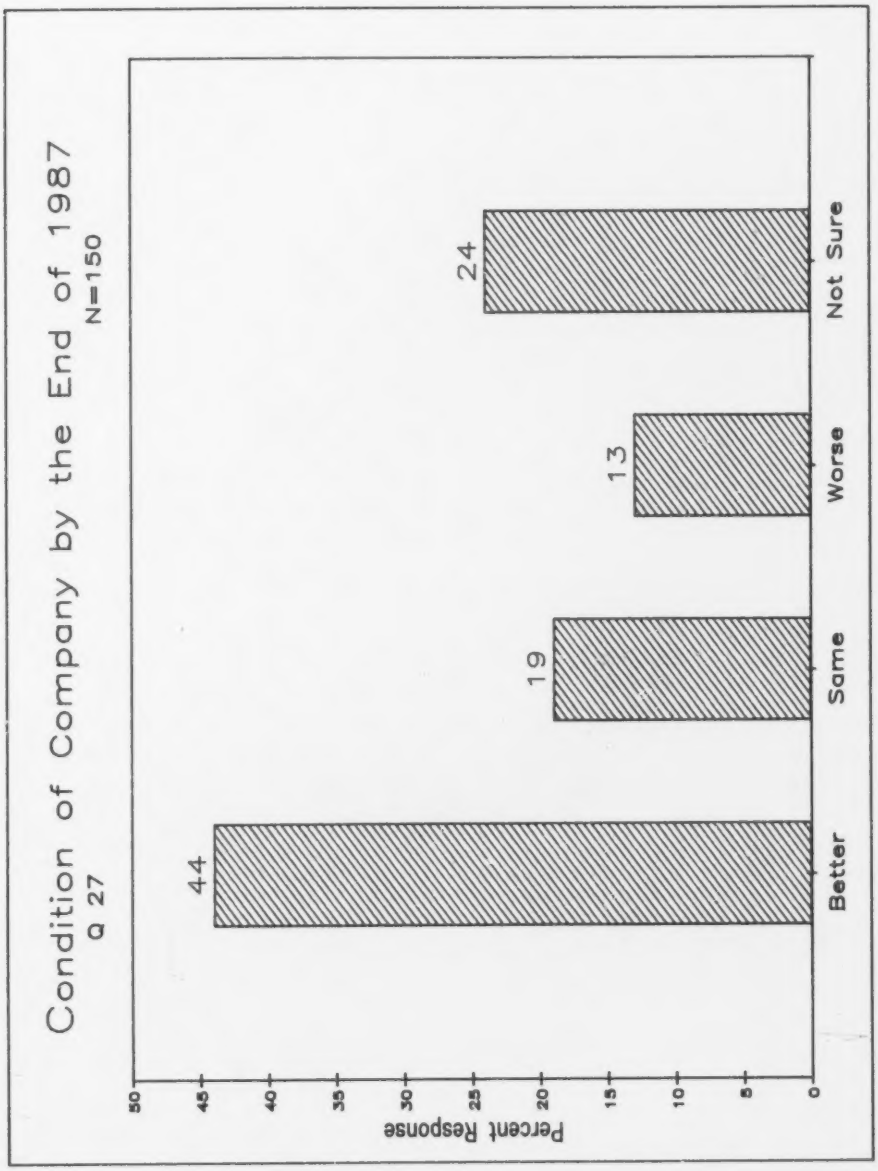

Current Condition of Your Company
Q25
N=166
Well Enough
42%
Very Well
22%
Other
14%
22%
Not Very Well

Figure 3


Condition of Company by the End of 1987
Q 27
N=150
Percent Response
0
5
10
15
20
25
30
35
40
45
50
44
19
13
24
Better
Same
Worse
Not Sure

Comments:

It was determined in a majority of the responses that an owner's perception of the firm's well-being was supported by the financial information given. Stated otherwise, on a scale created to rank the healthiness of firms from high to low, there was a significant correlation between the operating condition of a firm as subjectively measured by the owner and the firm's net profit, total assets, working capital and net worth. Owners that felt they were doing very well fell at the upper end of the scale, and those that felt they were not doing well fell at the lower end. Firms that said they were just getting by mostly fell in the middle. However, in the categories of net profit and total sales a large percentage of this group ranked at the upper end of the scale.

In comparing the financial profile and the number of employees of the firms that fell in the middle and top groups with national statistics for minority owned firms, the outcome was quite favorable for the majority of the survey sample that responded. These firms fell in the upper quartile of the nation's minority owned firms, when compared to statistics from "The President's Report: The State of Small Business, 1986." These results lead the Committee to conclude that many 8(a) firms are surviving in the private sector after graduation in spite of intense competition, financial problems, possible discrimination and other factors that have historically plagued minority small businesses. It should be noted that many of the respondents that comprise this group of surviving and, in some cases, flourishing firms, strongly criticized the 8(a) program for its failure to deliver management and technical support, provide a transitional program or provide sufficient financial aid, such as Business Development Expense (BDE) or advanced payment loans when they were participants.

It remains clear to the Committee, that in order for a larger number of 8(a) firms to enjoy these benefits, the program must be more efficiently managed and monitored with closer attention given to each firm's development. This would ensure more participants a greater chance of success after graduation, which is the goal of the program; survival should not be happenstance.

C. OUT OF BUSINESS RATE OF GRADUATED FIRMS

The Committee found that only 18 out of the 177 owners responded that they were out of business. However, Committee staff took extensive measures to collect information on all 461 firms in the original sample in order to present a more complete picture of the success or possible failure of all of the graduates. For example, repeated mailings were made to firms that either did not respond or for whom the postal service reported mail could not be delivered. SBA was also asked to assist the Committee in finding firms and at least confirm whether they were still operating. Furthermore, repeated attempts were made to reach non-responding firms by telephone. Finally, when all other avenues were exhausted, Dun and Bradstreet was asked to check its files for the number of firms they believed were still operating.

Taking all of these efforts into account, the Committee is still only able to estimate the likely number of graduated firms that are not operating today.

- 97 of the 461 firms (or about 21%) are definitely not operating.
- An additional 42 firms, based on evidence presented by Dun and Bradstreet or the efforts of Committee staff, may also possibly be out of business. If these are added, the total becomes 139 (or about 30 percent).

Comments:

The Committee has concluded that at least 21 percent of the graduated firms are out of business, but as many as 30 percent *could* be out of business. Based on all of the efforts made to contact owners, information gathered and input from Dunn and Bradstreet, the Committee believes the true Out of Business Rate to be closer to the upper limit of 30 percent. However, it should be noted that it is possible that some of these firms could have changed their address, name and/or telephone number. In that case, if appropriate forwarding instructions are not currently maintained by the Postal Service or if the telephone company no longer informs callers of the new number, some of these firms may still be in business. It seems very doubtful, however, that a business that continues any level of operation would not make provisions for forwarding of mail, referencing of telephone calls or have a need to establish credit references.

The Committee continues to be concerned about the probable Out of Business Rate of graduates and the high level of criticism lodged against various aspects of the 8(a) program by many participants. The thirty percent of the total survey sample that may be out of business, coupled with twenty-two percent of the respondents who indicated they were not doing well are troubling statistics. Moreover, the perception of many graduates that the program did not significantly contribute to their ability to survive is a clear indication that the program is not effectively or consistently developing or preparing businesses for the competitive marketplace and suggests that fundamental changes in the program are needed.

D. THE 8(a) PROGRAM IS MAINLY VIEWED AS A CONTRACTS PROGRAM, NOT A BUSINESS DEVELOPMENT VEHICLE

A large majority of survey respondents said that the 8(a) program was most helpful in providing government contracts but least helpful in providing management, technical, or financial assistance in the development of their firms. A major objective of the survey was to gather information on the effectiveness of the 8(a) program as a business development vehicle including management, technical and financial assistance, and a number of different questions were included for this purpose. The responses showed a clear trend that the 8(a) program fell short in its delivery of these services to participating firms despite availability of contract support. For example, 75 percent of firms rated government contracts as very helpful compared to 24 percent who rated management assistance or 16 percent who rated training as very helpful. When asked to describe the strongest aspect of the 8(a) program in an essay ques-

tion, more than 100 respondents mentioned contracts; the weakest aspects, as described by most respondents, were management, technical, marketing and financial assistance or a combination.

See Figures 4 and 5; 6a and 6b.

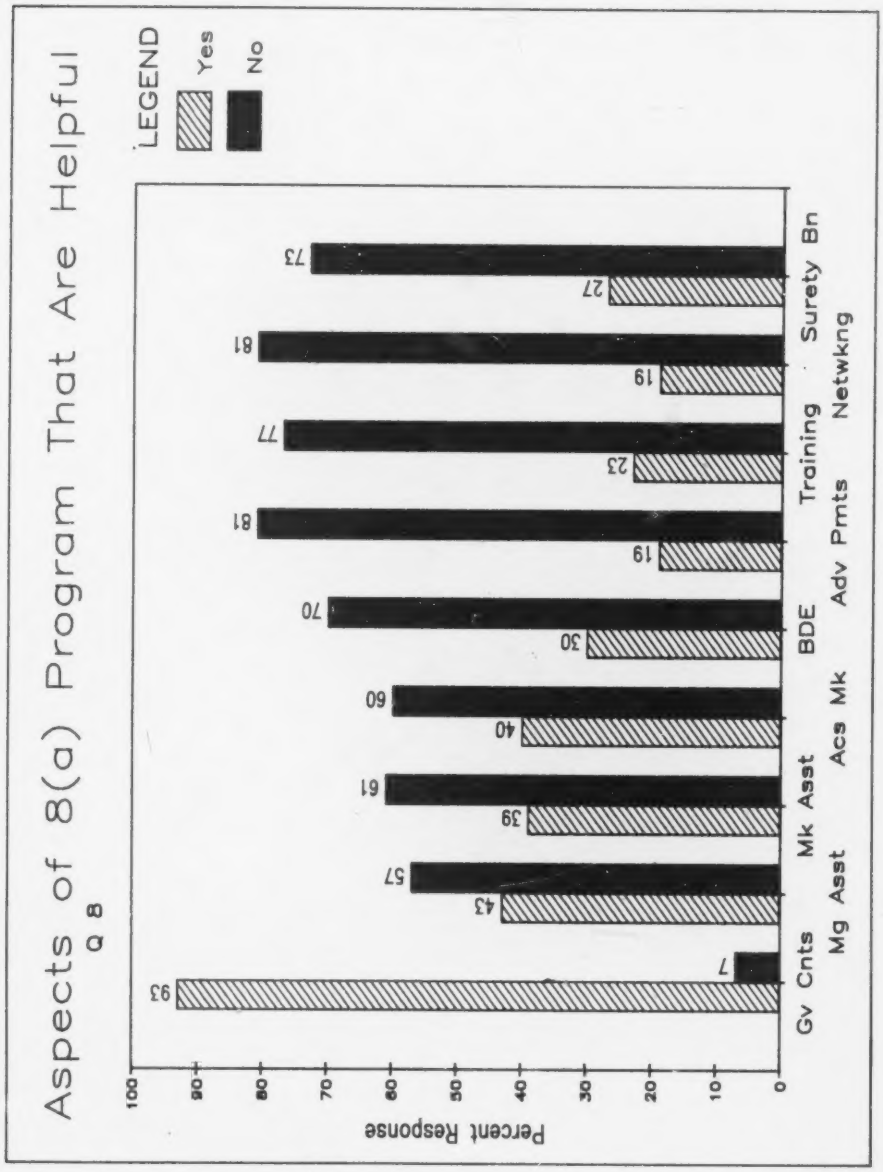

Aspects of 8(a) Program That Are Helpful
Q 8
LEGEND
Yes
No
Percent Response
100
90
80
70
60
50
40
30
20
10
0
93
7
43
57
39
61
40
60
30
70
19
81
23
77
19
81
27
73
Gv Cnts
Mg Asst
Mk Asst
Acs Mk
BDE
Adv Pmts
Training
Netwkng
Surety Bn

Figure 4

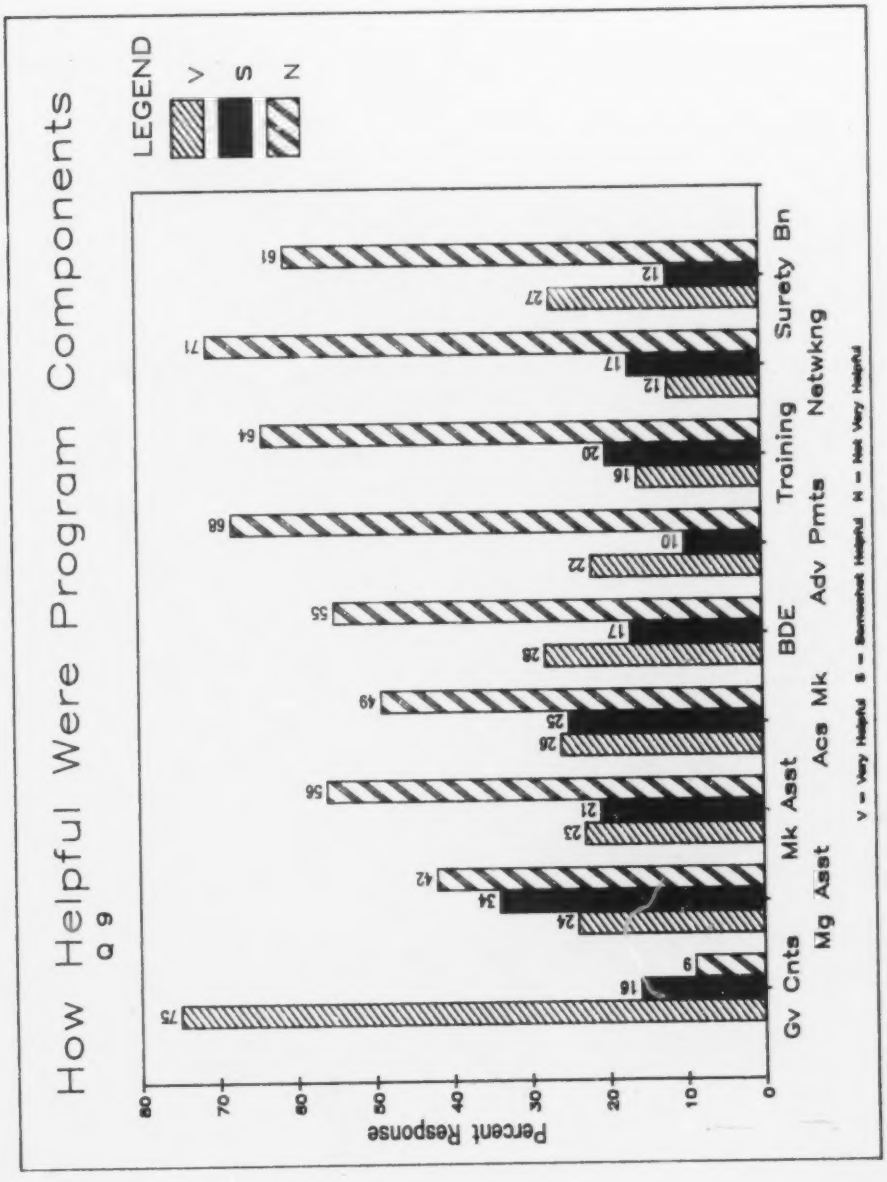

How Helpful Were Program Components
q 9
LEGEND
V
S
N
Percent Response
0
10
20
30
40
50
60
70
80
Gv Cnts
Mg Asst
Mk Asst
Acs Mk
BDE
Adv Pmts
Training
Netwkng
Surety Bn
75
9
16
24
34
42
23
21
56
26
25
49
28
17
55
22
10
68
16
20
64
12
17
71
27
12
61
V = Very Helpful S = Somewhat Helpful N = Not Very Helpful

Figure 5

Figure 6a

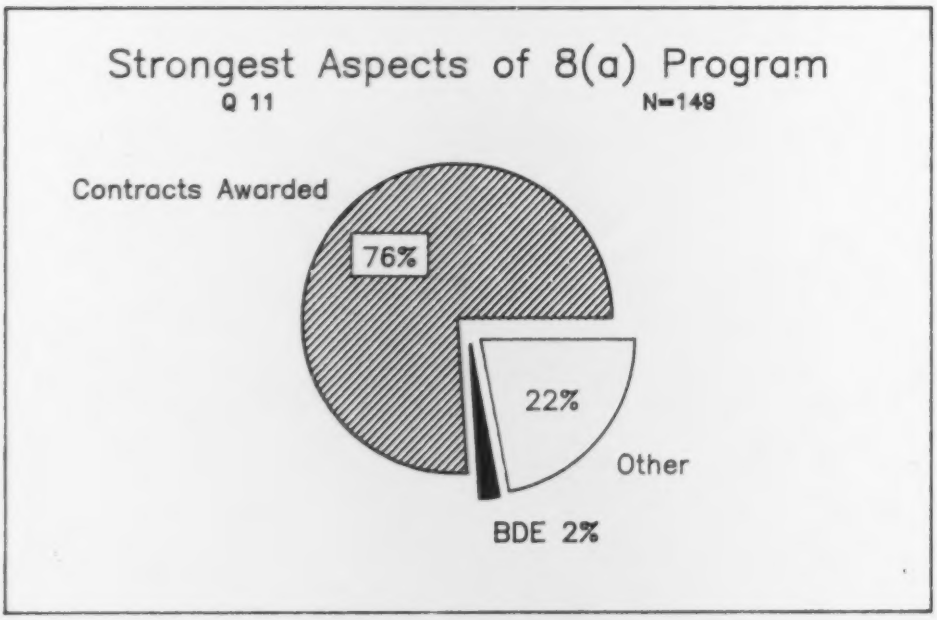
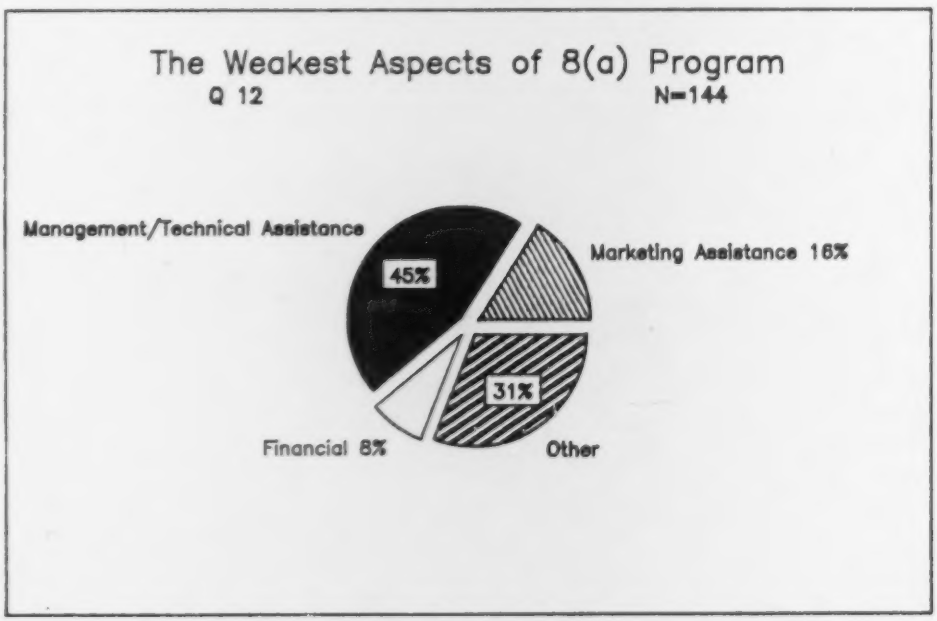


Figure 6b



Comments:

Since the enactment of Public Law 95-507, it appears that the 8(a) program has basically remained a contracts program with management and technical support continuing to be its Achilles' heel. This persistent problem greatly concerns the Committee, especially in view of legislative actions Congress has taken to correct this weakness by restructuring the 8(a) program in the direction of business development. These actions include the establishment of the Office of Associate Administrator for Minority Small Business and Capital Ownership Development (MSB/COD), under Public Law 95-507, which was given the authority to provide management and technical assistance to 8(a) firms, under Section 7(j)(10) of the Small Business Act. This survey's results indicate that this authority has not been effectively utilized by SBA.

It was clearly the intent of Congress that SBA should assist each firm in developing a comprehensive business plan which sets forth the firm's goals and objectives and provides services such as loan packaging, financial counseling, marketing and management assistance as are necessary to help the firm to grow. The agency should also establish regular monitoring and reporting systems to measure adherence to the firm's business plan as well as analyze and report, in specific time frames, the success or failure of all firms in the program. According to comments of respondents, very little of the focus on a firm's business plan, as envisioned by the law, has taken place. A firm located in the Midwest, which has gone out of business and was the subject of bankruptcy proceedings, made very pointed comments on what should be done to improve the program.

> Require a realistic business plan at the outset. . . . Once the plan is approved, the contractual and financial assistance requested of SBA cannot be *promised* in terms of best effort. It must be *delivered.* SBA must closely monitor the firm to ensure that good managerial, marketing and sales techniques, along with an adequate accounting system, are implemented and adhered to. SBA must also insist that private sector goals are met.

In terms of delivering the assistance just described, this entrepreneur stated:

> I think, at a minimum, structured seminars or strategic planning, marketing, sales, quality control, cost benefit analysis, financial analysis, and resources allocation ought to be given . . . on a regional level, in lieu of the management and technical assistance programs now given. These seminars should be conducted in an educational environment . . . [and] legal assistance should be made available to review contracts, leases and other agreements that are vital to a minority firm's existence.

A Northeast contractor succinctly suggested that to improve the program: ". . . Business development [must be] a mandatory requirement for 8(a) contractors. This business development should include all aspects of business, money management, marketing, etc."

In relating his personal efforts to survive, another respondent stated:

> SBA could assist firms by providing substantial marketing assistance and training in the firm's certified Standard Industrialization Classification (SIC) code or area of endeavor. My experience was a contract here, a contract there and none in between. Personally, I had to do pioneering educational research and at the same time, go out and get odd jobs to stay in business.

While providing contracts for participants is an essential component of the program, it is but one part of the total picture of a firm's business development. In making the program work, the Committee believes the Office of MSB/COD must focus greater attention on each firm's business plan, so that the negotiated goals and objectives are as vigorously met in providing management and technical assistance as contracts.

E. THE PROGRAM LACKS A TRANSITIONAL STRUCTURE

The overwhelming sentiment of many respondents was that they were simply "dropped" from the program at the conclusion of their fixed program participation term; that there was no transitional structure to prepare them for leaving the program and entering the competitive marketplace. Although a transitional structure and phase-out program were outlined by the Secretary of Commerce and the Administrator of SBA in the 1983 hearings before the Committee, 72 percent of the firms said they had received no assistance from MBDA and only 6 of the firms that responded to the question described MBDA assistance as very helpful.

See Figures 7 and 8.

Figure 7

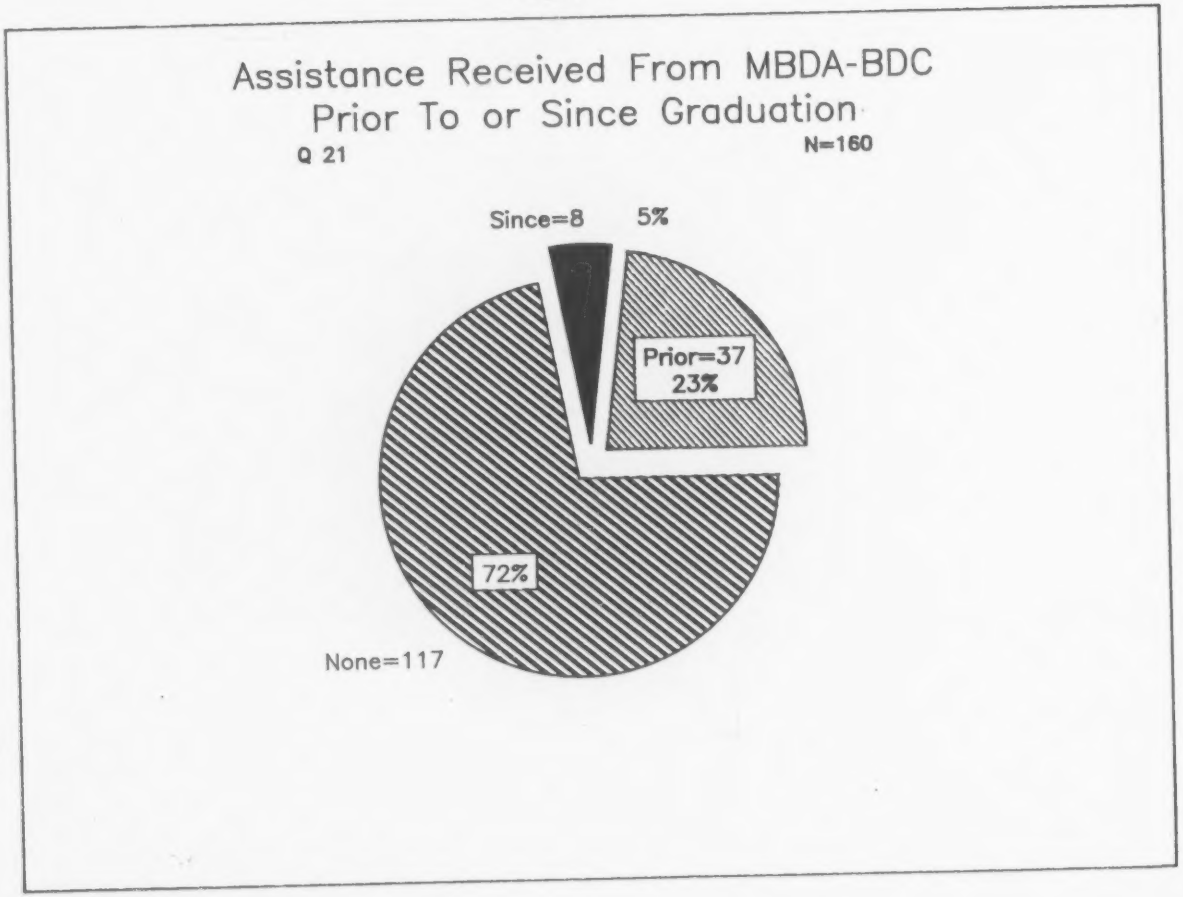
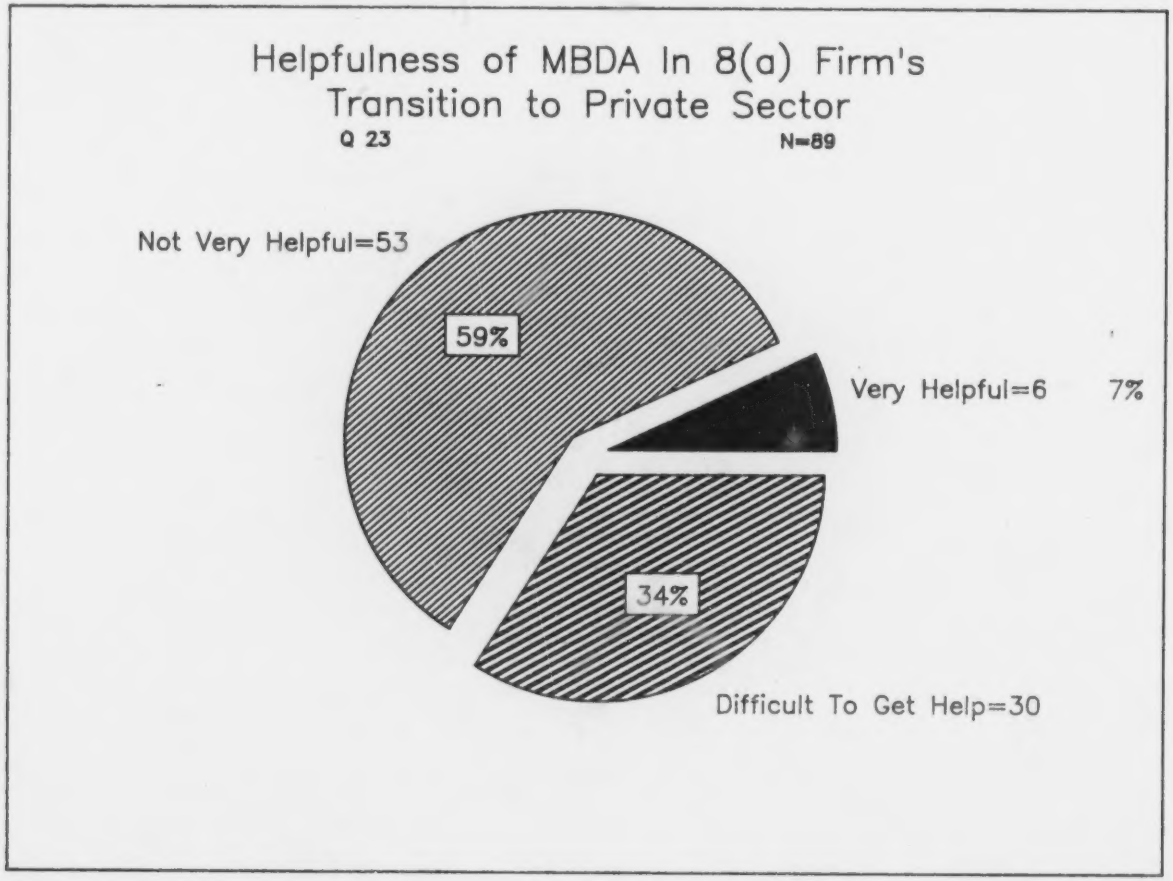

Assistance Received From MBDA-BDC
Prior To or Since Graduation
Q 21
N=160
Since=8
5%
Prior=37
23%
72%
None=117

Figure 8


Helpfulness of MBDA In 8(a) Firm's
Transition to Private Sector
Q 23
N=89
Not Very Helpful=53
59%
Very Helpful=6
7%
34%
Difficult To Get Help=30

Comments:

In March 1983, the Committee held a hearing at which the SBA Administrator and the Secretary of Commerce testified, along with the Director of the Minority Business Development Agency. A program was presented to the Committee by the witnesses wherein the approximately 100 Minority Business Development Centers, which operate under grants from MBDA, would begin to work with firms about to graduate from the program. Under this plan, 2 years before a firm was due to graduate, SBA would send to MBDA the business plan and other information on the prospective graduates. MBDA was to forward the information to the closest Business Development Center (BDC), which would contact and begin to work with the firm to develop plans for marketing contracts prior to graduation. This "program of transition" was set forth in an Interagency Agreement later entered into between SBA and MBDA.

Though few had received assistance, sixty percent of the respondents to the survey said that they were aware that a program did exist. Most of the firms believed that they needed the assistance of the transitional program but found the program, as outlined in the hearing, not effectively implemented and, thus, not very helpful to them. One respondent who said that he had received assistance from a BDC prior to graduation for the design of a marketing brochure indicated that the task was not completed. He felt that he definitely needed the center's assistance but stated that there was a "lack of follow through by MBDA . . . [In this region] the commitment lacks sincerity and priority".

In view of the program presented by MBDA and SBA at the Committee's 1983 hearings, the Committee is very concerned that for this first group of graduates there has essentially been no transitional program. All indications are that very little has been done to ease the shock of graduation and the program, as presented, has never been fully implemented.

F. IMPACT OF GRADUATION ON FIRMS

The impact of graduation on many of the survey respondents produced mixed results. When asked directly what impact graduation had on their firm, the majority of the respondents indicated a negative impact. Fifty-eight percent of the respondents to this question said graduation had a devastating effect on their business and 51 percent said their firm failed to grow after graduation.

On the other hand, 18 percent of the respondents felt their firm was not likely to go out of business because of graduation, and 61 percent said they were becoming competitive in the private sector. In addition, 57 percent said their firm continued to receive government and commercial contracts. Government agencies awarding most federal contracts were the Department of Defense (DOD), General Services Administration (GSA) and the Department of Transportation (DOT).

See Figures 9a and 9b; 10a and 10b.

See Figure 11.

Figure 9a

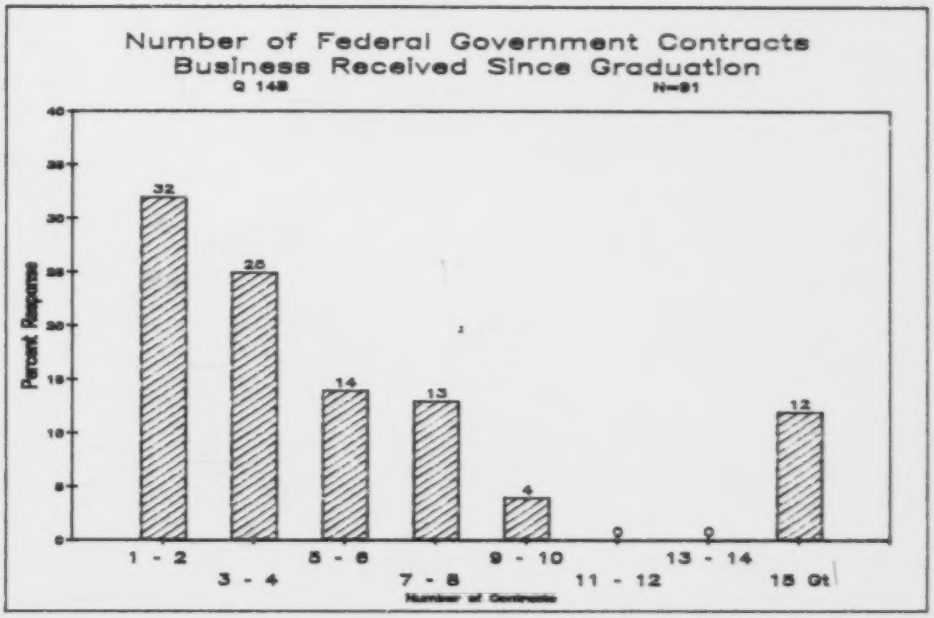


Figure 9b

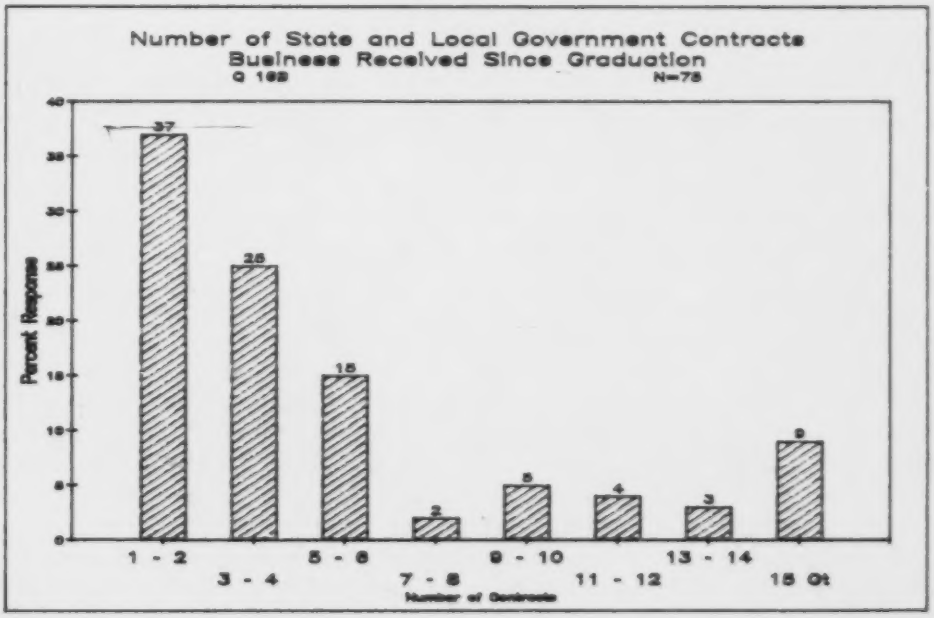


Figure 10a

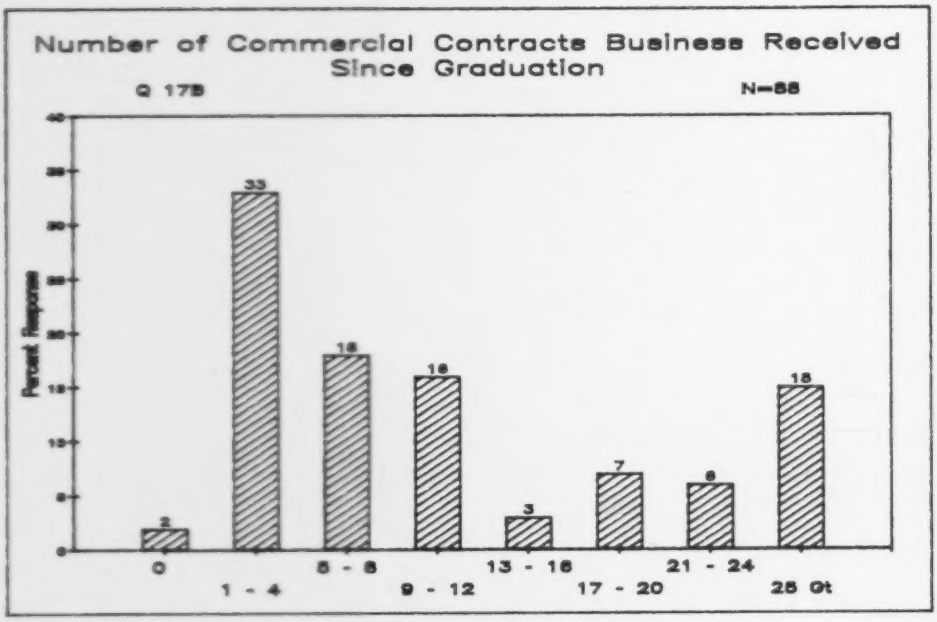


Figure 10b

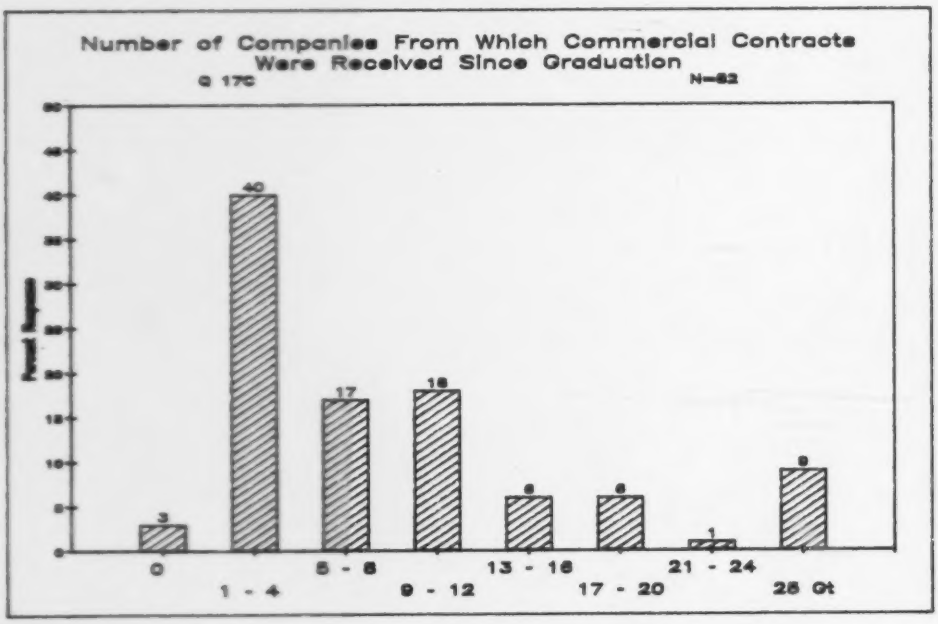
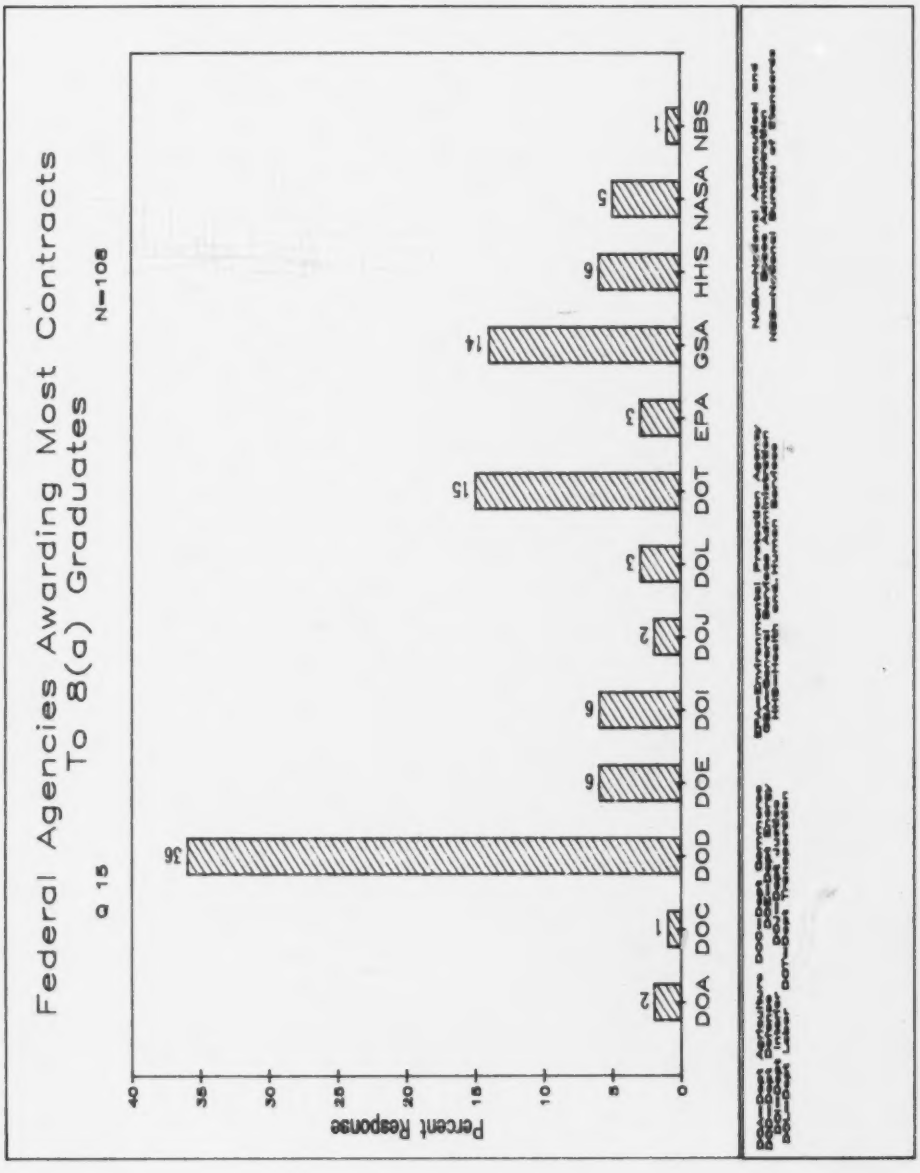


Figure 11


Federal Agencies Awarding Most Contracts To 8(a) Graduates
Q 15
N=108
Percent Response
0
5
10
15
20
25
30
35
40
2
1
36
6
6
2
3
15
3
14
6
5
1
DOA DOC DOD DOE DOI DOJ DOL DOT EPA GSA HHS NASA NBS

Comments:

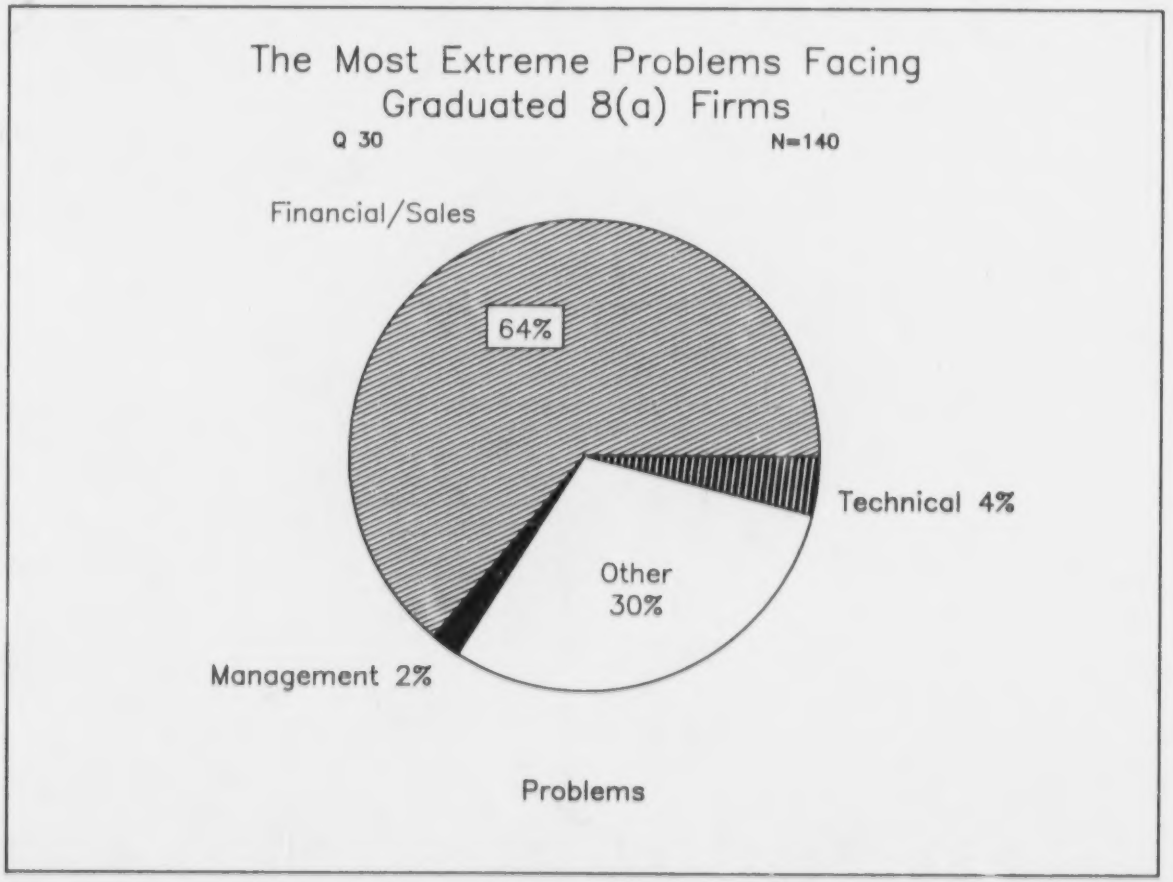
These results do not provide the Committee with a clear basis for determining the actual impact of graduation on firms. It is obvious, however, that owners have mixed or negative feelings about graduation in spite of the fact that most who responded are now surviving and, in a majority of cases, expect to do even better. Perhaps it can thus be said that regardless of the perceived impact of graduation by owners, many do make it even if they felt they needed more time in the program, whether due to their own ingenuity or the fact that the program did provide certain business development skills that they otherwise would not have attained.

The obvious effect of graduation is that the firm can no longer receive no-bid contracts. Depending on the amount of 8(a) contracts that a firm had leaving the program, this can be devastating if the firm is not prepared to replace its 8(a) work with contracts from other sources. If this is the case, the firm's level of business activity suddenly plummets and the owner must face the shock of this loss. This is manifested in poor sales and marketing or other financial difficulties which most respondents said were their most pressing problems since graduating.

See Figure 12.

72-280 O - 87 - 3

Figure 12


The Most Extreme Problems Facing
Graduated 8(a) Firms
Q 30
N=140
Financial/Sales
64%
Technical 4%
Other
30%
Management 2%
Problems

A good example of this dilemma is expressed by the owner of a janitorial and maintenance firm from the Midwest who said graduation had a devastating effect:

> . . . We were graduated without consideration of the fact that approximately 44 percent of our annual sales volume was 8(a) sales, and that an immediate termination (graduation) could be the undoing of the prior years of government assistance. We even had government agencies that wanted to write contracts with options in them beyond our graduation date but SBA wouldn't agree to it. Since that time, our profit and loss statement is in the RED (the first time in 10 years).

This owner further explained that since graduation in 1985 his firm has experienced problems of . . . "inadequate cash flow and poor sales due to the inability to replace 8(a) sales loss at graduation (22% of entire volume) and the 8(a) sales we will lose as other or remaining 8(a) contracts terminate. This volume is difficult to replace immediately."

This respondent echoes the opinion of many others who said the system of preparation for graduation was abrupt. But the positive side of this predicament, as viewed by the Committee, is that this owner and many of the other respondents express optimism for the future. When asked in what condition he expected his firm to be by the end of 1987, his response was "better" because, ". . . We are engaged in a very aggressive marketing and financial restructuring program that we expect to bear fruit by the end of 1987." Nearly 50 percent of the respondents also said "better" for various reasons that also suggested an optimistic outlook.

C. HOW LONG SHOULD A FIRM STAY IN THE PROGRAM

Firms were asked if they felt they had enough time in the 8(a) program; 64 percent said "No" and 36 percent responded "Yes". When asked what, in their opinion, was the optimum number of years for a firm to participate, the average response was 10 years. However, of the total number of respondents to the question, 51 percent of the firms did not suggest a number of years. Instead, many commented that graduation should not be determined by number of years, but on the basis of a firm's development.

Comments:

Since enactment of Public Law 96-481 and the mandate to establish definite graduation dates for participating firms, concerns have been expressed about the appropriate number of years a company should remain in the program. The Committee grappled with this issue in 1980. The original bill, introduced by Senator Robert Morgan of North Carolina, called for a statutorily established period of 5 years for program participation. During Committee mark-up on this bill by an amendment offered by Senator Weicker, the provision establishing 5 years was deleted. Instead of mandating a specified time frame for participation, the Congress delegated responsibility to SBA to establish the appropriate term. The law also specified that the term not begin until a firm received its first contract. Although SBA established the fixed program participa-

tion term of up to 5 years and no more than 7 (if an extension is requested and granted), the issue of an appropriate length of time has remained controversial.

Reasons given by firms that responded that the period of time in the program should be greater than the 7 years, which is now the limit, varied from personal experiences to more objective, well thought out administrative goals and strategies that the program should encompass, such as the following as outlined by one contractor.

> I believe 8–10 years are required for a minority business entrepreneur in government contracting to accomplish the following and to do them well:
>
> (1) Develop top management skills and experience;
>
> (2) Build a well functioning management team;
>
> (3) Develop and demonstrate successful contract capability;
>
> (4) Develop credibility in the market and a competitive edge in order to win 8(a) business; and
>
> (5) Achieve a track record of profitable operation.
>
> Most minority business owners are starting with little previous executive management experience; to have a viable business easily takes 8–10 years.

Another contractor stated, "10 years is enough time in the program if a firm is allowed to prepare for graduation; if this is not allowed, there should be no time limit."

For the many owners who did not give an optimum number of years, the following quotes sum up most of their responses:

> Establishing an optimum number of years for participation in the program is not a very effective manner in which to proceed. The first 3 to 5 years in the program are usually dormant in terms of receiving contracts . . . The program tenure should be divided into these phases:
>
> (1) The first period should involve management training and some initial contracting opportunities;
>
> (2) The second phase should involve concentrated contracting opportunities and marketing of both government and private sector;
>
> (3) Finally, a preplanned gradual phase-in-to-graduation period should be established to allow sufficient time to replace 8(a) contracts and there should be a follow-up assistance program implemented by SBA.
>
> Firms that have graduated but are still fulfilling option years on contracts let prior to graduation should be allowed to extend those contracts, either indefinitely or until a contract replacement schedule can be implemented.

Another contractor from a different industry said, "The 8(a) program should be designed for growth and not to satisfy a predesigned number of years. What is the point of assigning a number of years if the firm can't make it in the private sector; it should not be a numbers program, but a real down to earth development program."

The Committee will carefully weigh the survey responses on this issue and others in determining whether new legislation should be introduced or whether SBA should reassess the designated number

of years for program participation. Under existing law, it is possible for SBA to administratively modify the system of setting graduation dates. However, it should be noted that the majority of the firms that responded to the survey had been in the program prior to promulgation of the law and the FPPT, with an average tenure of about 9 years.

H. CONTRACT SOURCES AFTER GRADUATION

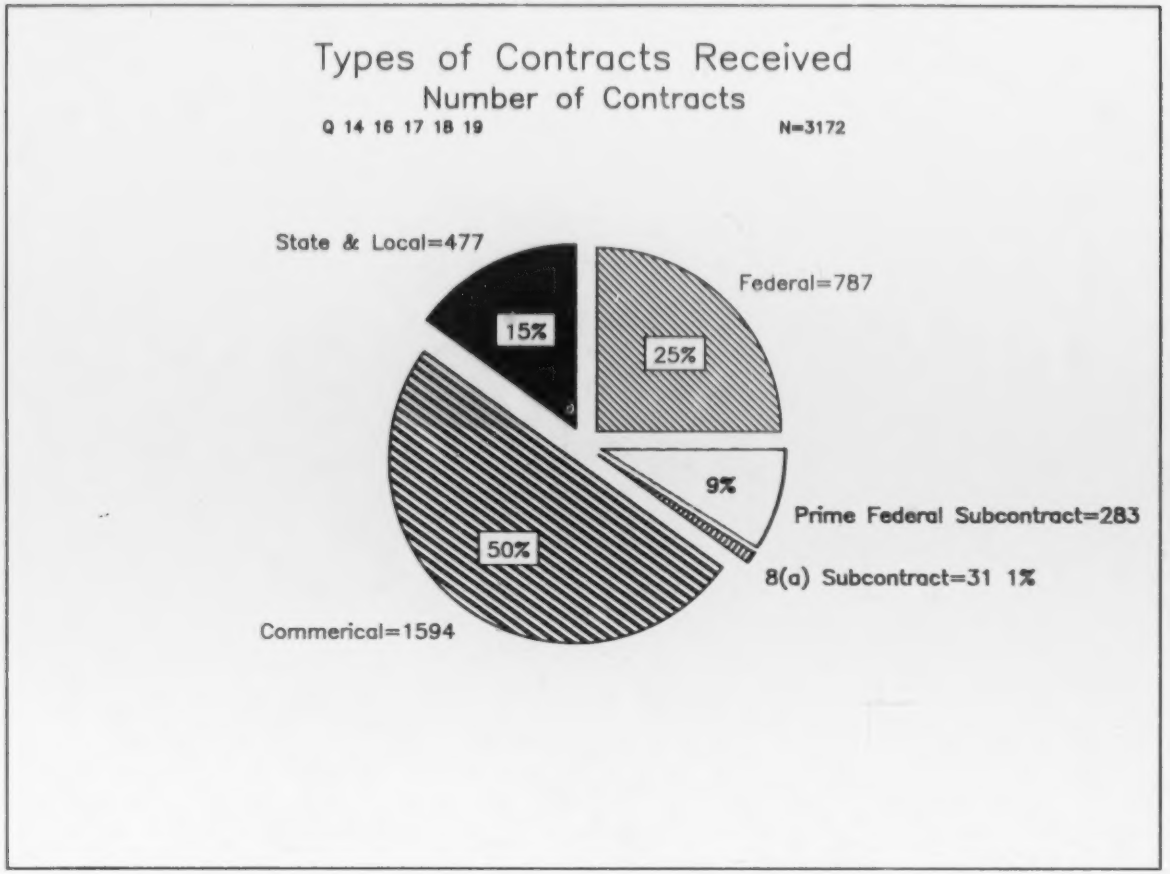
Some graduates indicated that they have continued to receive federal contracts and others indicated that a source of contracts has been state and local governments. But very few have become subcontractors to major prime contractors.

Comments:

Firms were asked a series of questions in order to determine their contract sources now that they are no longer in the program. More than 50 percent of the respondents indicated that they have received commercial contracts through the competitive bidding process. Ninety-seven firms said they have received federal contracts after graduation, most of which were awarded by agencies and departments which they had worked with before graduating from the 8(a) program, which suggests that they were able to establish good track records with these agencies while in the program. Other significant markets for graduates are state and local governments, according to 78 firms that responded.

See Figure 13.

Figure 13

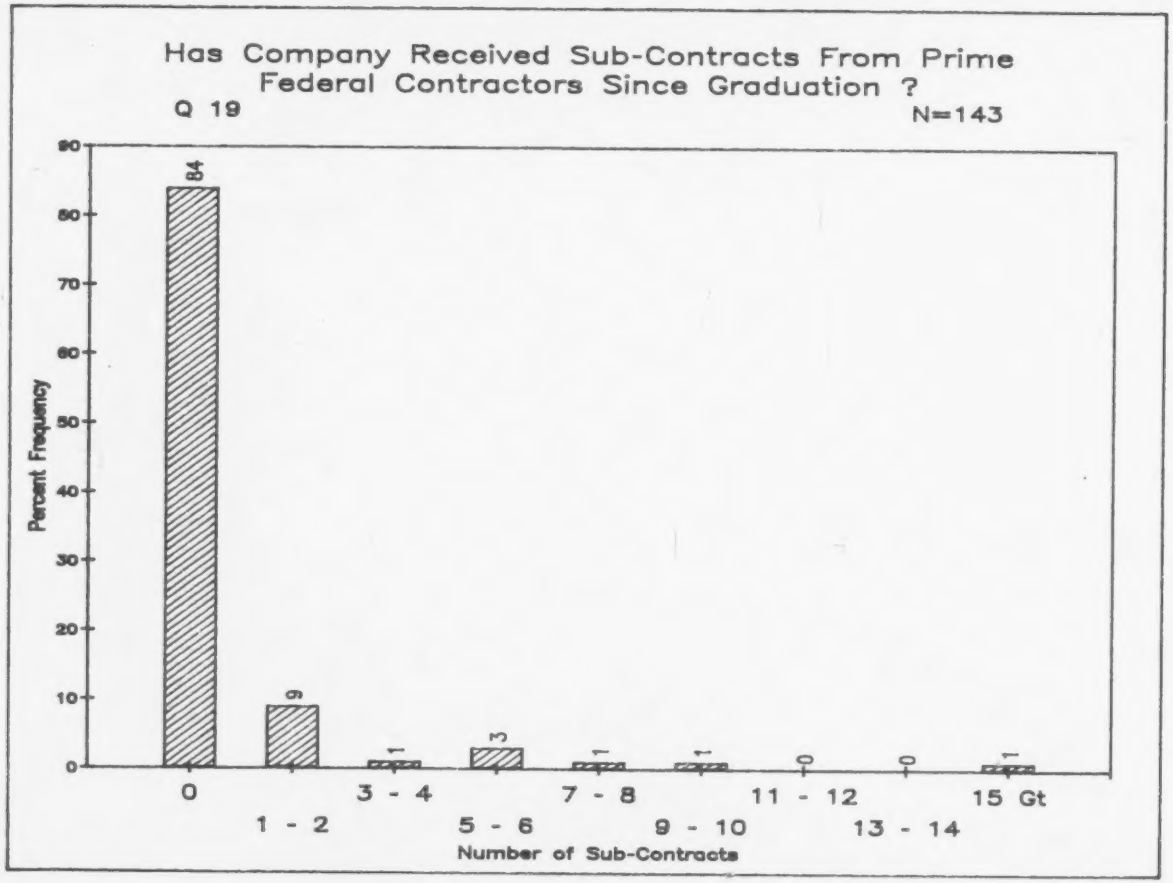

Types of Contracts Received
Number of Contracts
Q 14 16 17 18 19
N=3172
State & Local=477
15%
Federal=787
25%
9%
Prime Federal Subcontract=283
50%
8(a) Subcontract=31 1%
Commerical=1594

In both prime federal contracts and in the state and local government marketplaces, the industry distribution of firms receiving federal or state and local contracts since graduation showed a similar concentration in construction and services.

But, when asked if owners had received subcontracts from major prime contractors, 84 percent of the respondents said *no.*

See Figure 14.

Figure 14


Has Company Received Sub-Contracts From Prime Federal Contractors Since Graduation ?
Q 19
N=143
Percent Frequency
90
80
70
60
50
40
30
20
10
0
84
9
1
3
1
1
0
0
1
0
1 - 2
3 - 4
5 - 6
7 - 8
9 - 10
11 - 12
13 - 14
15 Gt
Number of Sub-Contracts

Under Public Law 95-507 the subcontracting program established in section 211 requires major prime contractors to submit subcontracting plans delineating goals for subcontracting with small and small disadvantaged businesses. Survey respondents repeatedly echoed concerns that this logical market has not materialized. As one contractor stated:

> We believe our Government has not done one *decent* thing to implement Public Law 95-507. We believe it never sent one letter to the prime contractors saying, "cut out the baloney—subcontract some of the hundreds of billions of dollars to small and minority firms." We believe you never stopped the award of one contract for failure to "find us" and "subcontract to us" or even to "ask us". This we believe is the greatest shame of all for those of us who look for a "transition" to the private sector. There is little private sector work for us, and a difficult bid process and pricing in the government sector.
>
> But with the management skills we developed in the 8(a) program, we will survive. 8(a) is very worthwhile but we believe it is not supported by the agencies and departments.

As experienced government contractors, clearly 8(a) graduates should be a logical source as subcontractors for major prime contractors, but very few of these graduates have been provided this opportunity.

In fiscal year 1985, the Small Business Administration reported that $6 billion in total procurement went to minority business. Approximately $3 billion of the awards were through the 8(a) program; the other $3 billion was through open competition, small business set-asides, or through subcontracting. (This compares to $33 billion that went to all small businesses in prime contract awards and $24 billion that were awarded through subcontractors). It is the Committee's position that more attention must be given to increasing subcontracting opportunities for minority firms, particularly 8(a) graduates.

Chapter V.—Summary of the Recommendations for Changes or Improvements in the 8(a) Program

This section presents a summary of responses to Section E of the survey (Appendix A) and additional comments provided by the graduates on the strengths and weaknesses of the 8(a) program and recommendations for its improvement.

Many respondents expressed appreciation for having had the opportunity to participate in the 8(a) program and felt it had helped their firms to grow. Others stated that Public Law 95-507 and the Congressional mandate to improve the program were commendable but full promise had not been realized. The 8(a) program was described by many as an excellent vehicle for developing minority business and should be maintained, but strengthened. This was generally the sentiment of even those who sharply criticized certain aspects of the program or felt it had not helped them significantly. A broad range of suggestions was made for improving the

structure, management and direction of the program, from administrative or personnel inadequacies to restructuring the program. The following is a synopsis of the recommendations for improving the program.

- Re-train SBA employees and select only those who will be committed to the intent of the program.
- SBA should hire personnel in all field offices that are competent and technically capable of assisting firms in contract negotiations, marketing, loan packaging and other business development needs.
- Politics and personnel biases must be removed in administering the program. Objective procedures should be developed for all portfolio firms for providing management, technical, financial and contract assistance.
- SBA must insist before certification that a business plan is developed with each firm that sets forth realistic and attainable objectives.
- Field offices should diligently monitor the firm's compliance with its business plan.
- SBA should not certify firms in certain industries in regions where contract support is not available.
- SBA should have more authority to select contracts from procuring agencies for 8(a) firms in fulfillment of the mandate in Public Law 95-507.
- Procuring agencies should be required to adhere to minority business procurement goals and the subcontracting provisions of Public Law 95-507 should be enforced.
- More timely management and technical or 7(j) assistance must be provided on a region-by-region basis.
- Provide qualified and structured business management courses and seminars, at given intervals, for all portfolio firms as a business development requirement for continued participation in the program.
- Prevent firms from becoming solely dependent on 8(a) support.
- SBA should require all portfolio firms to acquire private sector or non-sole-source contracts along with 8(a) contracts after an established period of time in the program.
- SBA should institute a transitional or phase-out program which gradually reduces a firm's dependence on 8(a) contracts and provide the expertise needed to aid firms in marketing the private sector.
- Encourage joint ventures with other 8(a) firms to build capacity for bonding, financing, management and technical assistance during the transitional phase.
- A firm should compete with other 8(a) firms for contracts during its last year in the program.
- Reduce paperwork requirements and provide training for construction contractors on cost estimating so they can bid and perform work profitably.
- The certification process must be shortened and streamlined; applicants should not be required to wait months, even years, to be certified for the program.
- Firms must be provided more concentrated management, technical and contract assistance even if the portfolio has to be re-

duced; if a firm fails to show progress, it should be removed from the program.

- Increase the workforce in SBA field offices according to the size of the portfolio; each office staff should be monitored and evaluated, on an ongoing basis, for efficiency and productiveness as related to the development of firms to attain competitive independence.
- SBA should be more thorough in its investigations and take strict measures to keep "fronts" out of the program.
- The fixed program participation term (FPPT) should be increased to allow each firm sufficient time to become independently competitive; that is, to build a business base, improve its management structure and replace sole source contracts with similar ones in size and profitability. The FPPT extension should be granted on the basis of all of these factors, not just the subjective judgment of the regional administrator.
- SBA should consider restructuring the program into two tiers: one in which start-up or smaller firms are admitted; and another in which larger, more stable firms are admitted.
- The 8(a) program should be more widely publicized by SBA.

Chapter VI.—Conclusion

After carefully weighing the major findings and total results of this survey, it is the Committee's conclusion that the SBA Section 8(a) program is an important vehicle for ensuring the inclusion of minority firms in our nation's federal procurement system and that some progress has been made in administering the program since enactment of Public Law 96-481. However, the Committee is gravely concerned that the lack of progress towards making 8(a) a true business development experience for participants, as intended by law, as well as other major deficiencies in the overall operation of the program seem to overshadow its basic intent and effectiveness.

The areas of greatest concern are:

(a) the Agency's apparent inability to deliver timely management and technical assistance to program participants although the Capital Ownership Development division of SBA was established for that primary purpose;

(b) the failure of SBA or MBDA to vigorously implement the Interagency Agreement so as to provide graduating firms transition from a sole source set-aside program to the competitive marketplace;

(c) the broad perception by many respondents that although SBA personnel are helpful, many are unable to provide the technical assistance or guidance needed in most procurement matters;

(d) certain administrative weaknesses that undermine the smooth operation of any program of this magnitude. A glaring example is the agency's difficulty in keeping accurate or updated files on program graduates and participants. This deficiency became apparent each time Committee staff requested updated information on graduates. A second group of mailings for 1986 graduates was attempted but later abandoned because the final

lists provided by SBA included more program participants than graduates.

The program has enjoyed a degree of success as demonstrated by the number of firms still operating since leaving the program. However, the fact that many of these owners did not attribute their success to the 8(a) program or so sharply criticized it as a business development vehicle is troubling to the Committee. This suggests that there is still much to be done by SBA in providing a definitive program structure through which participating firms can move, in specified timeframes, so as to be capable of competing with similar firms in their respective industries after leaving the program.

On the other hand, the Committee understands that there are extenuating circumstances over which SBA may have little or no control that hamper the success of the program. Several such situations were also cited by survey respondents and are of concern to the Committee, such as: (a) SBA's lack of authority to select procurement opportunities from major federal agencies in order to capture a steady stream of contracts for portfolio firms, which would clearly add more predictability to structuring and administering the program; (b) Section 211 of Public Law 95–507, which requires prime contractors to establish subcontracting goals for minority small businesses, has failed to significantly bolster contracting opportunities for program participants as well as graduates; and (c) staff reductions sustained by the Agency of approximately 35 percent since 1979, with an increase in the portfolio of nearly 40 percent since that time. This dramatic reduction in manpower would likely impede the progress of any operation, even if other managerial or programmatic problems did not exist.

The survey results and recommendations of owners to improve the program provide the Committee with a base of information upon which to work toward certain reforms that could enhance the operation of the program, to sustain those aspects that have proven to be effective. It is the intent of the Committee not only to utilize survey results, but to hold hearings to further pursue the issues raised and develop appropriate legislative and administrative reforms.

CHAPTER VII.—APPENDICES

APPENDIX A

THE SMALL BUSINESS COMMITTEE OF THE UNITED STATES SENATE

A SURVEY OF THE MINORITY SMALL BUSINESS OR SECTION 8(a) PROGRAM GRADUATES

AUGUST 14, 1986

THE SPECIFIC INFORMATION PROVIDED IN THIS SURVEY WILL BE KEPT CONFIDENTIAL BY THIS COMMITTEE

Statistical Analysis of the Survey

The pages of the original survey instrument appear on the left, while the right hand pages provide summary statistics of the participants' responses to each question. In a few cases, no information is provided, as in Questions I and II. If the number of respondents is too small for statistically significant results to be derived (for example, Questions Q4, Q5, and Q6), a written summary is provided. Percentages are calculated relative to the number of respondents to the specific question, unless indicated otherwise. Note that for many questions the total number of respondents is indicated in parentheses at the beginning of the answer. Also, where appropriate, the Mean (average) and/or Median (50th-percentile) are shown. Both mean and median are measures of the central tendency of the sample, but because the distributions are generally highly skewed, the median is usually the more useful statistic.

GENERAL INFORMATION

I. Please update or make corrections in our mailing label.

Make Corrections Here

_____

{Mailing label goes here} _____

_____

II. Who completed this survey?

Name: _____

Position: _____

Phone Number: Area Code ( ) Number [ ]

III. Please provide the names(s) of person(s) that were initially certified for the 8(a) program, percentage of ownership in the firm and ethnic origin.

Name(s)	Ownership Percentage	Ethnic Origin
_____	_____	_____
_____	_____	_____
_____	_____	_____

IV. Please list any changes in question III that have taken place, either prior to or since graduation.

Name(s)	Ownership Percentage	Ethnic Origin
_____	_____	_____
_____	_____	_____
_____	_____	_____

V. Date your firm graduated from the 8(a) program

_____

VI. Number of years in the program _____

III.

Of the 177 firms that responded, 159 reported that more than 50% of the firm was initially owned by members of the same ethnic group. The majority ownership groups are tabulated below.

Number of Firms	Percent of Firms	Ethnic Origin of Majority Ownership
106	66%	Black
33	21%	Hispanic
14	9%	Asian
6	4%	Native American

Note: Nearly all 8(a) firms maintained their minority ownership after graduation.

IV.

Thirty-four (34) firms provided information on subsequent changes in ownership. The changes altered the ethnic majority ownership only for five (5) firms:

i) one firm shifted from 100% Black to 100% White ownership,
ii) two firms shifted from majority Black to no majority,
iii) one firm shifted from majority Asian to no majority.
iv) one firm shifted from no majority to majority Black.

V. (170 respondents)

Twenty-five percent (25%) of those responding to this question graduated from the 8(a) program on or before 1 January 1984.
Fifty percent (50%) graduated on or before 31 October 1984.
Seventy-five percent (75%) graduated on or before 30 April 1985.

VI. (162 respondents)

The average number of years in the program is 8.7, while the median is 9 years.

SECTION A

Please provide the following information about your firm. If additional space is needed, please use extra pages at the end of this booklet.

Q1. What were your firm's primary products or services when certified for the 8(a) program?

_____

_____

Q2. Please give a profile of your operations last year in the following categories using the firm's fiscal year. If you are no longer in business please provide this information for the last full year of operation.

The twelve months ending on _____
[Fill in date]

a. Total Number of Employees _____

b. Number of Part-time Employees _____

c. Number of Full-time Employees _____

d. Total Annual Sales _____

e. Annual Net Profit _____

f. Assets _____

g. Net Worth _____

h. Working Capital _____

Q3. Is your firm still operating? (Please check your answer.)

YES ( )

NO ( )

If yes, what are your firm's current primary products or services?

_____

_____

Q1.	(175 respondents)	Number of Cases	Percent
a.	Construction	70	40%
b.	Professional/Consulting Services	20	12%
c.	Janitorial or Maintenance Service	35	20%
d.	Manufacturing	6	3%
e.	ADP Services	14	8%
f.	Foods	6	3%
g.	Other	24	14%

Q2.		Mean	Median
a.	Total Number of Employees (159 respondents)	101	34
b.	Number of Part-time Employees (125 respondents)	39	4
c.	Number of Full-time Employees (157 respondents)	70	25
d.	Total Annual Sales (152 respondents)	$ 3,590,000	$ 1,570,000
e.	Annual Net Profit (121 respondents)	$ 170,000	$ 50,300
f.	Assets (135 respondents)	$ 1,270,000	$ 574,000
g.	Net Worth (122 respondents)	$ 605,000	$ 334,000
h.	Working Capital (120 respondents)	$ 1,570,000	$ 144,000

The following per employee figures result from dividing each of d. through h. in turn by a., for each respondent, and then forming the means and medians.

(continues on next page)

		Mean	Median
d'.	Total Annual Sales per Employee	$ 69,700	$ 41,100
e'.	Annual Net Profit per Employee	$ 4,140	$ 1,390
f'.	Assets per Employee	$ 27,700	$ 16,800
g'.	Net Worth per Employee	$ 17,900	$ 8,300
h'.	Working Capital per Employee	$ 14,400	$ 4,000

Q3A. (171 respondents)

YES	156	91%
NO	15	9%

Q3B. (152 respondents)

		Number of Cases	Percent
a.	Construction	63	42%
b.	Professional/Consulting Services	12	8%
c.	Janitorial or Maintenance Service	37	24%
d.	Manufacturing	6	4%
e.	ADP Services	12	8%
f.	Foods	2	1%
g.	Other	20	13%

[If your firm is still in business, please go to the next page. If you are no longer in business, please answer the following questions, then proceed to the next page.]

Q4. What was your last day of operation? _____

Q5. What did you do when your firm went out of business?
(Please check your answer)

a. Start Another Firm ( )
b. Become Employed by Another Firm or Organization ( )
c. Did Not Work ( )
d. Other (Please explain) _____

_____

Q6. Why did the firm go out of business?
(Please check your answer(s).)

a. Management Problems ( )
b. Financial Difficulties ( )
c. Could Not Get New Contracts or Sales ( )
d. Could Not Get Surety Bonding ( )
e. Change of Primary Product ( )
f. Production Technical Difficulties ( )
g. Graduated from the 8(a) Program Prematurely ( )
h. Other ( )

Please Explain Your Answer(s) _____

_____

_____

_____

_____

Firms That Are No Longer in Business

Of the total responses, 18 firms indicated that they were no longer in business. Because the sample size was too small for statistical analysis, the following summary of responses to Questions 4, 5, and 6 is provided.

The last day of operation for most of the firms varied from one month after graduation up to three years. Once out of business, owners either started another firm or did not work. Four other respondents specifically said they retired and three went to work for other firms.

Reasons given for going out of business mainly centered around not being able to get new contracts or sales, financial difficulties and graduating from the program prematurely. About half of the respondents blamed SBA directly as the cause of their failure.

Two firms felt they'd been discriminated against because of their ethnic origin. Two other respondents praised the program, stating that other business or personal circumstances were the cause of their failure.

SECTION B

The next group of questions concerns your experience with SBA as an 8(a) company.

Q7. Were SBA employees with whom you had contact:
(Please check your answer.)

a. Very Helpful? ( )

b. Somewhat Helpful? ( )

c. Not Very Helpful? ( )

d. Please Comment _____

_____

_____

Q8. The 8(a) program helps firms in a number of ways. Were the following aspects of the program helpful to you?
(Please check your answers.)

	YES	NO
a. Government Contracts	( )	( )
b. Management Assistance	( )	( )
c. Marketing Assistance	( )	( )
d. Access to Markets	( )	( )
e. Business Development Expenses (BDE)	( )	( )
f. Advance Payments	( )	( )
g. Training	( )	( )
h. Networking	( )	( )
i. Surety Bonding	( )	( )

Q7. (171 respondents)		Number of Cases	Percent
a.	Very Helpful	81	47%
b.	Somewhat Helpful	53	31%
c.	Not Very Helpful	37	22%

Comment: Helpfulness of SBA employees was mainly related to contract awards.

Q8.

		YES		NO	
a.	Government Contracts (174 respondents)	162	93%	12	7%
b.	Management Assistance (163 respondents)	70	43%	93	57%
c.	Marketing Assistance (158 respondents)	61	39%	97	61%
d.	Access to Markets (156 respondents)	62	40%	94	60%
e.	Business Development Expenses (BDE) (155 respondents)	47	30%	108	70%
f.	Advance Payments (154 respondents)	30	19%	124	81%
g.	Training (153 respondents)	35	23%	118	77%
h.	Networking (146 respondents)	28	19%	118	81%
i.	Surety Bonding (155 respondents)	42	27%	113	73%

Q9. How helpful were these 8(a) program components to the development of your business and preparing you for graduation? Skip any service that was not actually used. (Please check your answers.)

	Very Helpful	Somewhat Helpful	Not Very Helpful
a. Government Contracts	( )	( )	( )
b. Management Assistance	( )	( )	( )
c. Marketing Assistance	( )	( )	( )
d. Access to Markets	( )	( )	( )
e. Business Development Expenses	( )	( )	( )
f. Advance Payments	( )	( )	( )
g. Training	( )	( )	( )
h. Networking	( )	( )	( )
i. Surety Bonding	( )	( )	( )

Q10. Of the services listed above, which ones are most helpful to businesses like yours?
(Please write the letters of two or more services on each line.)

MOST HELPFUL _____

HELPFUL _____

LEAST HELPFUL _____

Q9.

		Very		Somewhat		Not Very	
a.	Government Contracts (170 respondents)	128	75%	27	16%	15	9%
b.	Management Assistance (123 respondents)	30	24%	42	34%	51	42%
c.	Marketing Assistance (124 respondents)	29	23%	26	21%	69	56%
d.	Access to Markets (126 respondents)	33	26%	32	25%	61	49%
e.	Business Development Expenses (108 respondents)	30	28%	18	17%	60	55%
f.	Advance Payments (97 respondents)	21	22%	10	10%	66	68%
g.	Training (100 respondents)	16	16%	20	20%	64	64%
h.	Networking (94 respondents)	11	12%	16	17%	67	71%
i.	Surety Bonding (107 respondents)	30	27%	13	12%	64	61%

Q10. (Read Down)

		Most Helpful		Helpful		Least Helpful	
a.	Government Contracts	146	43%	9	4%	7	3%
b.	Management Assistance	22	6%	42	19%	20	9%
c.	Marketing Assistance	31	9%	34	15%	22	9%
d.	Access to Markets	33	10%	36	16%	17	7%
e.	Business Development Expenses	32	9%	39	17%	25	11%
f.	Advance Payments	25	7%	26	12%	22	9%
g.	Training	7	2%	15	7%	44	19%
h.	Networking	4	1%	7	3%	48	21%
i.	Surety Bonding	43	13%	16	7%	28	12%
		(343 total)		(224 total)		(233 total)	

Respondents were encouraged to cite more than one item. Numbers in parentheses are for total citations.

Q11. As a program to develop minority owned businesses, what are the strongest aspects of the 8(a) program?

Q12. Please describe the weakest aspects of the 8(a) program?

Q13. How do you think the SBA 8(a) program can be modified or improved so that it will be of greater help in developing minority owned businesses?

Q11. (149 respondents)

The strongest aspect of the program was contract awards according to more than 100 respondents to Q11. A small number of owners cited access to business development expense (BDE), or advanced payment as strong points. Other program strengths cited by respondents included: (a) provides excellent opportunity for minority entrepreneurs; (b) provides exposure of minorities to government agencies; and (c) helpfulness of some SBA staff.

Q12. (144 respondents)

88 respondents said the weakest aspects of the 8(a) program were management, technical and marketing assistance. About 8% responded that financial assistance was sorely lacking. The remainder listed other weaknesses, in some cases in combination with those already cited. Examples included: (a) no transition from the program to the private sector; (b) inept or uncaring SBA personnel; (c) lengthy certification process; (d) excessive paperwork; and (e) SBA's inability to capture a steady stream of contracts for all participants.

Q13. (139 respondents)

Most respondents said the program would be of greater help in developing businesses in the following ways:

a) Provide better management/technical assistance;
b) Provide more marketing assistance and training;
c) Provide more financial assistance (BDE and Advanced Payment)/increase bonding capacity;
d) Provide a steady stream of contracts/longer duration;
e) Lengthen the FPPT;
f) Provide a transitional structure before and after graduation;
g) Improve the quality of personnel in SBA offices; and
h) Require each firm to follow its business plan/monitor the plan.

SECTION C

The next group of questions concerns your firm's experience since graduating from the 8(a) program. [If your firm is no longer operating, please go on to Question 21.]

Q14. What is the number and approximate dollar amount of federal government contracts your business has received since graduating from the 8(a) program?

$ _____ No. of Contracts _____

How much of this amount was with agencies that previously had awarded you 8(a) contracts?

$ _____ No. of Contracts _____

Q15. List the federal agencies from which most of your contracts were awarded.

a._____ d._____

b._____ e._____

c._____ f._____

Q16. What is the number and approximate dollar amount of state and local government contracts your business has received since graduating from the 8(a) program?

$ _____ No. of Contracts _____

Q14.

		Mean	Median
a.	value (90 respondents)	$ 3,885,000	$ 881,000
b.	no. of contracts (91 respondents)	8.6	4
c.	value (74 respondents)	$ 3,033,000	$ 600,000
d.	no. of contracts (74 respondents)	8.4	3

Q15. (108 respondents)

		Number	Percent			Number	Percent
a.	DOD	74	36%	h.	DOL	7	3%
b.	DOT	30	15%	i.	EPA	6	3%
c.	GSA	28	14%	j.	DOA	4	2%
d.	DOE	13	6%	k.	DOJ	3	2%
e.	HHS	13	6%	l.	DOC	2	1%
f.	DOI	12	6%	m.	NBS	1	1%
g.	NASA	10	5%				

(Some respondents listed more than one agency)

Q16.

		Mean	Median
a.	value (78 respondents)	$7,714,000	$ 355,000
b.	no. of contracts (75 respondents)	6.4	3

Q17. What is the number and approximate dollar amount of commercial contracts your business has received since graduating from the 8(a) program?

$ _____ No. of Contracts _____

No. of Companies _____

Q18. Has your firm been awarded a sub-contract by any currently certified 8(a) firm since you left the program? (Please check your answer and proceed as above.)

NO ( )

YES ( )

$ _____ No. of Contracts _____

No. of 8(a) Firms _____

Q19. Has your firm been awarded a sub-contract by any prime federal contractor since you left the program? (Please check your answer and proceed as above.)

NO ( )

YES ( )

$ _____ No. of Subcontracts _____

Q17.		Mean	Median
a.	value (91 respondents)	$4,134,000	$ 400,000
b.	no. of contracts (86 respondents)	18.5	8
c.	no. of companies (80 respondents)	10.7	5.5

Q18. (145 respondents)

NO	128	88%
YES	17	12%

		Mean	Median
b.	value (16 respondents)	$ 700,000	$ 255,000
c.	no. of contracts (16 respondents)	1.9	1
d.	no. of 8(a) Firms (16 respondents)	1.6	1

Q19. (143 respondents)

NO	120	84%
YES	23	16%

		Mean	Median
b.	value (19 respondents)	$1,602,000	$ 850,000
c.	no. of subcontracts (19 respondents)	14.9	2

Q20. Even though your firm left the 8(a) program, it is eligible to receive support from SBA if it is still a small business. What services have you received from SBA since you graduated from the program? (Please check your answer.)

	Received	Have Not Received
a. Training	( )	( )
b. Management Assistance	( )	( )
c. Technical Assistance	( )	( )
d. Procurement Assistance	( )	( )
e. Financial Assistance	( )	( )
f. Surety Bond Guarantees	( )	( )
g. Marketing Assistance	( )	( )
h. Subcontracting Assistance	( )	( )
i. Other Assistance	( )	( )

(Please describe below.)

_____

_____

_____

Q21. The Minority Business Development Agency (MBDA) of the Department of Commerce also provides management assistance and technical support for minority firms through its Business Development Centers (BDCs). Have you received assistance from a BDC in your district or region prior to or since graduation? (Please check your answer.)

YES ( )

Prior to Graduation ( )

Since Graduation ( )

NO ( )

Q20.

		Received		Have not Received	
		Number of Cases	Percent	Number of Cases	Percent
a.	Training (133 respondents)	2	2%	131	98%
b.	Management Assistance (133 respondents)	7	5%	126	95%
c.	Technical Assistance (136 respondents)	9	7%	127	93%
d.	Procurement Assistance (136 respondents)	16	12%	120	88%
e.	Financial Assistance (133 respondents)	4	3%	129	97%
f.	Surety Bond Guarantees (134 respondents)	10	7%	124	93%
g.	Marketing Assistance (134 respondents)	12	9%	122	91%
h.	Subcontracting Assistance (136 respondents)	6	4%	130	96%
i.	Other Assistance (130 respondents)	5	4%	125	96%

Q21. (160 respondents)

	Number of Cases	Percent
YES	45	28%
Prior to Graduation	37	23%
Since Graduation	8	5%
NO	117	72%

Q22. If you answered yes to question 21, what type of assistance? (Please check your answer.)

a. Loan Packaging ( )

b. Marketing ( )

c. Accounting ( )

d. Other (Please describe) _____

_____

Q23. How helpful was MBDA assistance to your firm in making a transition from the 8(a) program to the private sector? (Please check your answer.)

a. Very Helpful ( )

b. Not Very Helpful ( )

c. Difficult to Get Help ( )

Q24. If you have not received assistance from a BDC: (Please check your answer.)

	YES	NO
a. Were you aware of the existence of the program?	( )	( )
b. Did you attempt to make contact with a Center?	( )	( )
c. Did you feel you did not need the support of this program?	( )	( )

d. Other (Please explain) _____

_____

[If the firm is no longer in business please go to Question 31 and complete the survey. If the firm is still operating please go on to the next page.]

Q22.	(40 respondents)	Number of Cases	Percent
a.	Loan Packaging	10	22%
b.	Marketing	21	46%
c.	Accounting	3	6%
d.	Other	12	26%

Q23.	(89 respondents)	Number of Cases	Percent
a.	Very Helpful	6	7%
b.	Not Very Helpful	53	59%
c.	Difficult to Get Help	30	34%

Q24.		YES		NO	
		Number of Cases	Percent	Number of Cases	Percent
a.	Were you aware of the existence of the program? (123 respondents)	78	63%	45	37%
b.	Did you attempt to make contact with a Center? (111 respondents)	41	37%	70	63%
c.	Did you feel you did not need the support of this program? (100 respondents)	36	36%	64	64%
d.	Other	27			

SECTION D

The next group of questions concerns the current operating condition of your firm.

Q25. How would you describe the current condition of your business? (Please check your answer.)

a. Firm is Doing Very Well ( )

b. Firm is Doing Just Well Enough to Get By ( )

c. Firm is Not Doing Well ( )

d. Other (Please explain) _____

_____

Q26. Compared to other firms that are in your line of business, how successful is your firm? (Please check your answer.)

a. More Successful than Other Firms ( )

b. About as Successful as Other Firms ( )

c. Less Successful than Other Firms ( )

d. Other (Please explain) _____

_____

Q27. By the end of 1987, in what condition do you expect your business to be? (Please check your answer.)

a. Better ( )

b. The Same ( )

c. Worse ( )

d. Not Sure ( )

e. Please explain your answer _____

_____

_____

_____

Q25.	(166 respondents)	Number of Cases	Percent
a.	Firm is Doing Very Well	37	22%
b.	Firm is Doing Just Well Enough to Get By	69	42%
c.	Firm is Not Doing Well	37	22%
d.	Other	23	14%

Q26.	(161 respondents)	Number of Cases	Percent
a.	More Successful than Other Firms	17	11%
b.	About as Successful as Other Firms	73	45%
c.	Less Successful than Other Firms	57	36%
d.	Other	14	10%

Q27.	(150 respondents)	Number of Cases	Percent
a.	Better	66	44%
b.	The Same	28	19%
c.	Worse	19	13%
d.	Not Sure	37	24%

Q28. What has been the impact of graduation from the 8(a) program upon your firm? (Please check your answers.)

	YES	NO
a. Continued Growth and Success	( )	( )
b. Continued to Receive Government and Commercial Contracts	( )	( )
c. Becoming Competitive in the Private Sector	( )	( )
d. Failed to Grow	( )	( )
e. Graduation Had a Devasting Effect	( )	( )
f. Firm Will Likely go Out of Business	( )	( )

Q29. Which of the following problems has your firm experienced since graduating from the 8(a) program? (Please check your answers.)

	YES	NO
a. Inadequate Cash Flow	( )	( )
b. Inadequate Marketing Skills	( )	( )
c. Poor Access to Markets	( )	( )
d. Inadequate Working Capital	( )	( )
e. Poor Sales	( )	( )
f. Lack of Capital Equipment	( )	( )
g. Inability to Obtain Adequate Performance Bonds	( )	( )
h. Other Problems	( )	( )

[Please describe]

_____

_____

_____

Q28.

		YES		NO	
		Number of Cases	Percent	Number of Cases	Percent
a.	Continued Growth and Success (105 respondents)	45	43%	60	57%
b.	Continued to Receive Government and Commercial Contracts (113 respondents)	64	57%	49	43%
c.	Becoming Competitive in the Private Sector (115 respondents)	70	61%	45	39%
d.	Failed to Grow (101 respondents)	51	51%	50	49%
e.	Graduation Had a Devastating Effect (104 respondents)	60	58%	44	42%
f.	Firm Will Likely go Out of Business (97 respondents)	17	18%	80	82%

Q29.

		YES		NO	
		Number of Cases	Percent	Number of Cases	Percent
a.	Inadequate Cash Flow (118 respondents)	72	61%	46	39%
b.	Inadequate Marketing Skills (108 respondents)	41	38%	67	62%
c.	Poor Access to Markets (120 respondents)	82	68%	38	32%

Q29. (continued)	YES		NO	
	Number of Cases	Percent	Number of Cases	Percent
d. Inadequate Working Capital (114 respondents)	71	62%	43	38%
e. Poor Sales (112 respondents)	73	65%	39	35%
f. Lack of Capital Equipment (105 respondents)	34	32%	71	68%
g. Inability to Obtain Adequate Performance Bonds (101 respondents)	52	52%	49	48%
h. Other	43			

Note: Other major problems cited by owners were difficulty in bidding competitively with large business and difficulty in replacing the amount of 8(a) set aside work when those contracts expired.

Q30. What is the most extreme problem facing your firm today?

_____

_____

_____

Q31. Do you feel you had enough time in the 8(a) program? (Please check your answer.)

YES ( )

NO ( )

Q32. If you feel you did not have enough time in the 8(a) program, what, in your opinion, is the optimum number of years for a firm to participate?

No. of years _____

Please Comment _____

_____

_____

_____

_____

_____

_____

Q30.	(140 respondents)	Number of Cases	Percent
a.	Financial/Sales problem	90	64%
b.	Management problem	3	2%
c.	Technical problem	5	4%
d.	Other	42	30%

Q31.	(157 respondents)	Number of Cases	Percent
	YES	57	36%
	NO	100	64%

Q32	(76 respondents)	Mean	Median
a.	No. of years	9.8	10

Comment: Many owners commented that graduation should not be determined by number of years, but on the basis of the firm's development while participating in the program.

SECTION E

We would greatly appreciate any additional comments or information that you think would be helpful to the Committee about the Minority Small Business Program.

THANK YOU VERY MUCH FOR YOUR HELP.

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United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

August 14, 1986

Mr. John Doe
ABC Company
1234 West Boulevard
Cityplace, USA 56789

Dear Mr. Doe:

The Senate Small Business Committee is currently reviewing the operation of the Small Business Administration (SBA) Section 8(a) minority small business development program. We are writing to ask for your help so that the Committee can effectively exercise its oversight responsibility for this program.

Public Law 96-481, enacted October 24, 1980, required the Small Business Administration to establish graduation criteria for small businesses participating in the 8(a) program. Pursuant to that law, SBA promulgated Fixed Program Participation Terms (FPPT) requiring that a definite gradustion date be set for each 8(a) certified firm at the time of program entry, as well as for firms already in the program.

The Committee is assessing the effectiveness of the business development aspects of the 8(a) program in preparing your firm to become competitive or self-sufficient in your industry after graduation. For this reason, we are requesting your cooperation in completing the enclosed survey.

The survey is designed to gather information on the history, as well as the present condition or status of your firm, including financial assets, products or services and contract support, and to solicit your recommendations for improving the 8(a) program. As an 8(a) graduate, your experience and opinion of the program are invaluable to the Committee in ensuring that any changes made in its structure or procedures will result in a more effective and responsive program for participating firms.

The Committee recognizes that completing the survey will require valuable time and extra effort on your part, and we greatly appreciate your cooperation, and ask that you or a principal officer in your firm complete the survey. We are also asking that your responses be candid and thorough so that we can assess the effectiveness of the 8(a) program on the best available information. Please be assured that your survey responses will be kept confidential by the Senate Small Business Committee.

Since the sample of minority companies included in this research is small (less than 500), the return of every single survey is critical to attaining valid results. Please return your completed survey in the enclosed envelope within ten (10) days after receipt.

Again, thank you very much for your help and continued interest in improving the 8(a) program. Your prompt response to this survey will provide the support needed by our Committee to continue to sponsor, and fight for, legislation that will ensure a bright future for minority enterprises in our Nation.

With best wishes for continued success,

Sincerely,

Dale Bumpers

DALE BUMPERS
Ranking Minority Member

LOWELL WEICKER, JR.
Chairman

Enclosure

LOWELL WEICKER, JR., CONNECTICUT, CHAIRMAN
RUDY BOSCHWITZ, MINNESOTA
SLADE GORTON, WASHINGTON
DON NICKLES, OKLAHOMA
WARREN RUDMAN, NEW HAMPSHIRE
ALFONSE M. D'AMATO, NEW YORK
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MAX BAUCUS, MONTANA
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ALAN J. DIXON, ILLINOIS
DAVID L. BOREN, OKLAHOMA
TOM HARKIN, IOWA
JOHN F. KERRY, MASSACHUSETTS
ROBERT J. DOTCHIN, STAFF DIRECTOR
ROBERT M. WILSON, CHIEF COUNSEL
JOHN W. BALL III, MINORITY CHIEF COUNSEL

United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

October 15, 1986

Mr. John Doe
ABC Comoany
1234 West Boulevard
Cityplace, USA 56789

Dear Mr. Doe:

The Senate Small Business Committee is conducting a survey of 8(a) companies that have graduated from the program, pursuant to Public Law 96-481. On August 14, 1986, you were sent a questionnaire concerning your firm's experience while in the 8(a) program and since graduation. To date we have not received your response.

As Chairman and Ranking Minority Member of the Senate Small Business Committee we are asking that you take time to complete the survey and return it in the self-addressed franked (stamped) envelope included in the package sent to you. Your response is critically important. Your experience and opinion of the program are essential as the Committee considers possible changes in structure and procedures of this minority business development program.

The survey requires about 30-60 minutes to complete. While we realize this is valuable time taken from your schedule, we hope you will recognize the importance of your response to our Committee's deliberations.

We have taken the liberty of enclosing another survey in the event you did not receive or have misplaced the previous mailing. If you have any questions, please call Erline Patrick or Hank Price of the Senate Small Business Committee staff at (202) 224-5175.

Again, we thank you for your cooperation and continued interest in improving the 8(a) program.

Sincerely,

Dale Bumpers
DALE BUMPERS
Ranking Minority Member

LOWELL WEICKER, Jr.
Chairman

Enclosure

APPENDIX B

Profile of Survey Firms in Comparison with National Profiles for All Firms and All Minority-Owned Firms

Tables 1 and 2 provide figures on the distribution of the Section 8(a) Survey firms, All Firms, and All Minority-Owned Firms.

Table 1

Distribution by Employment Size

	All Firms	Section 8(a) Survey	All Minority-Owned Firms	(% of All: read row)
year:	1984	1986	1982	
Fewer than 10 employees	4,464,000	48	831,533	18.6%
10-19 employees	733,000	27	7,372	1.0%
20-49 employees	501,000	36	3,141	0.6%
50-99 employees	154,000	16	645	0.4%
100 or more employees	99,000	50	329	0.3%
Total	6,142,000	177	843,022	13.7%

Table 2

Distribution by Employment Size
Column Percentages

	All Firms	Section 8(a) Survey	All Minority-Owned Firms
year:	1984	1986	1982
Fewer than 10 employees	74.5%	27.1%	98.6%
10-19 employees	12.9%	15.3%	.9%
20-49 employees	8.4%	20.3%	.4%
50-99 employees	2.6%	9.0%	.1%
100 or more employees	1.6%	28.2%	.03%
Total	100.0%	99.9%	100.03%

The size distributions of the three types of enterprises in Tables 1 and 2 are noteworthy for several reasons. First, Table 1 shows that minority-owned firms (the right-hand columns) are generally concentrated among the smaller firms. For the smallest establishments, those with fewer than ten employees, minority firms represent 18.6% of all firms. This percentage declines rapidly with size, so that minority firms represent only 0.3% of the largest firms, those with one hundred or more employees.

Second, the Section 8(a) firms (second column from left) are, to the contrary, concentrated among the larger entreprises, a fact brought out especially strongly by Table 2. This means that the survival and flourishing of Section 8(a) firms can be expected to act to reduce the disparity in size distribution between minority firms and all firms, an important objective of the Minority Small Business Program.

Third, not only do Section 8(a) firms tend to be relatively large, but they account for a significant fraction of the larger minority-owned entreprises. The one hundred seventy-seven (177) Survey firms represent only 0.02% of all minority firms, but the fifty (50) Survey firms employing one hundred (100) or more workers account for 15.2% of all large minority enterprises. Accordingly, the Section 8(a) program is arguably vital in preserving even the present low level of minority participation in large scale small business.

Sources

Employment size numbers for "All Firms" are from U.S. Small Business Administration, The State of Small Business, 1986, p. 103. The discussion on p. 94 seems to indicate that these figures are revisions of Small Business Data Base statistics in light of the numbers in U.S. Department of Commerce, Bureau of the Census, Current Population Survey.

The figures for "All Minority-Owned Firms" are aggregated from U.S. Department of Commerce, Bureau of the Census, 1982 Survey of Minority-Owned Business Enterprises, Asian Americans, American Indians, and Other Minorities, pp. 225-226; ---, Black, pp. 92-93; ---, Hispanic, pp. 201-202.

APPENDIX C

Ten Regions of the Small Business Administration

Map No. 1

Region	States
1	Conn, Maine, Mass, NH, RI, Vt
2	NJ, NY, Puerto Rico, Virgin Islands
3	Del, DC, Md, Pa, Va, W Va
4	Ala, Fla, Ga, Ky, Miss, NC, SC, Tenn
5	Ill, Ind, Mich, Minn, Ohio, Wis
6	Ark, La, NM, Okla, Tex
7	Iowa, Kan, Mo, Neb
8	Colo, Mont, ND, SD, Utah, Wyo
9	Ariz, Calif, Guam, Hawaii, Nev, Trust Territory of the Pacific Islands*
10	Alaska, Idaho, Ore, Wash

*Caroline Islands, Mariana Islands, Marshall Islands

INTERAGENCY AGREEMENT
BETWEEN
THE MINORITY BUSINESS DEVELOPMENT AGENCY
AND
THE U.S. SMALL BUSINESS ADMINISTRATION

ATTACHMENT I (1 of 3)

WHEREAS, the establishment of businesses owned by socially and economically disadvantaged individuals, as well as the expansion of small businesses owned by socially and economically disadvantaged individuals, will enhance the economic prosperity of this Nation; and,

WHEREAS, small socially and economically disadvantaged minority businesses suffer institutional and other barriers in gaining access to the business mainstream; and,

WHEREAS, the Minority Business Development Agency (MBDA), under the authority of Executive Order 11625, issued October 13, 1971, provides financial and marketing assistance to public and private organizations so that they can provide technical and management assistance to facilitate the development and expansion of socially and economically disadvantaged minority businesses; and,

WHEREAS, MBDA coordinates the programs and operations of the Federal Government which affect or may contribute to the establishment, preservation, and strengthening of socially and economically disadvantaged minority businesses; and,

WHEREAS, the U.S. Small Business Administration (SBA) pursuant to the Small Business Act of 1958, as amended, is authorized to assist small business concerns owned by individuals who have been determined to be socially and economically disadvantaged by providing financial, technical, management, and marketing assistance, as may be necessary; and,

WHEREAS, the U.S. Small Business Administration is authorized to operate an 8(a) set-aside program in which SBA contracts directly with Federal Government agencies for goods and services and subcontracts the requirements to small socially and economically disadvantaged businesses; and,

WHEREAS, the regional and field offices and activities of MBDA and SBA shall, to the fullest extent practicable and permissable by law, and subject to the availability of funds, coordinate their program activities and conduct joint projects, with a view toward conserving Government resources without duplication of efforts, for socially and economically disadvantaged minority small businesses.

NOW, THEREFORE, it is hereby understood and agreed that to the fullest extent authorized by statutes, regulations and executive orders, and whenever it is feasible and practicable, MBDA and SBA hereby mutually pledge, subject to the availability of funds, the cooperative use of their resources, talents, and facilities in furtherance of providing effective and efficient assistance to the socially and economically disadvantaged minority small business community.

NOW, THEREFORE, MBDA and SBA agree to perform the following:

Regional Statistics

The 8(a) graduated firms are identified by SBA regions (I-X) and the Senate Computer Center did attempt to tabulate survey responses to questions on a regional basis. Unfortunately, the small sample sizes of the overall survey resulted in very small sample size at the regional level. This frustrated all attempts to draw significant regional inferences. An attempt was made to overcome this problem by aggregating the ten regions into two and then three zones. However, even in these cases, few meaningful inferences are possible. Perhaps all that can be asserted, with some degree of confidence, is that the ethnic composition of the firms varies significantly by zone, with relatively higher proportions of black-owned firms in the Northeast and Hispanic-owned firms in the West. This does not rule out the possibility of strong regional differences among the firms with respect to the remaining questions in the survey. Rather, it means that if such differences do exist, they can only be substantiated by using a larger sample.

APPENDIX D

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Memorandum of Understanding

Between

U.S. Small Business Administration
and
Minority Business Development Agency

This memorandum provides the basis for a proposed project to provide business skills training to minority women through the American Woman's Economic Development Corporation (AWED). The Small Business Administration (SBA) agrees to consider either extending the cooperative agreement already in existence between SBA and AWED or to negotiate a new grant or contract.

Implementation: The SBA in conjunction with the Minority Business Development Agency (MBDA) will determine the terms of the continuation of the cooperative agreement or of a new grant or contract pending receipt and review of the AWED proposal and budget. The SBA will be responsible for administering all aspects of the grant or contract. However, representatives of MBDA may accompany SBA personnel on any monitoring reviews. In addition, MBDA will be provided copies of all performance reports.

Duration of Agreement: This memorandum is effective as of October 1, 1984 and will remain in effect for the duration of the award. MBDA is providing $250,000 for this effort.

APPROVED:

Small Business Administration

Robert A. Turnbull
Associate Deputy Administrator
for Management and Administration

Date: 11/14/84

Minority Business
Development Agency

James H. Richardson Gonzales
Director, Minority Business
Development Agency

Date:

MBDA

1. To assist SBA 8(a) minority program applicants in the completion of the necessary forms for the purpose of applying for certification in SBA's Business Development Program after positive contract support has been determined via SBA Form 1017

2. Upon request by SBA, in geographic areas where there are no SBA 8(a) small business assistance support programs, provide management, technical, and marketing assistance to 8(a) minority firms through MBDA-funded organizations on an as needed basis during their participation in the program.

3. To participate, as appropriate, in a joint effort with SBA during the final year of participation in the 8(a) Business Development Program to provide marketing assistance in the private sector arena for 8(a) minority firms.

4. To continue to assist socially and economically disadvantaged minority 8(a) firms after they have completed their participation in the 8(a) Business Development Program if they still need management, technical and marketing assistance.

5. To provide SBA, to the extent practicable, an updated listing of the small socially and economically disadvantaged minority businesses contained in MBDA's PROFILE System to be used in support of SBA's Procurement Automated Source System (PASS).

SBA

1. To provide, as appropriate, management, technical and marketing assistance to 8(a) firms through its various resources, e.g., SCORE/ACE, 7(j), Small Business Institute (SBI), Small Business Development Centers (SBDC), and the PASS System.

2. To participate, as appropriate, in a joint effort with MBDA during the final year of participation in the 8(a) program to provide marketing assistance in the private sector arena for 8(a) firms.

3. To provide MBDA, as appropriate, with updated business profiles on those firms to be assisted in the marketing effort at least sixty (60) days prior to the beginning of the final year of participation.

4. To continue to provide financial, management, marketing, and technical assistance, as appropriate, to those qualifying businesses that remain eligible for SBA programs after they have completed their participation in the 8(a) program.

5. To provide, to the extent practicable, an updated listing of socially and economically disadvantaged small business firms contained in SBA's Procurement Automated Source System (PASS) to be used in support of MBDA's PROFILE System.

To achieve the above, MBDA and SBA shall, within 30 days after execution of this Agreement, disseminate copies of this Agreement to their respective field organizations.

Nothing in this Agreement shall be construed in any way to authorize any action of variance to existing statute, regulations, or executive orders.

This agreement is effective as of the date shown and shall remain in full force for a period of five (5) years, unless terminated by one or both parties. If the termination of this agreement is to be done unilaterally, the terminating party shall provide the other party with notice of the planned termination at least 90 days prior to the effective date of any such termination.

For the
U.S. SMALL BUSINESS ADMINISTRATION

James C. Sanders
Administrator

Robert L. Wright
Associate Administrator
(Minority Small Business and
Capital Ownership Development)

For the
U.S. DEPARTMENT OF COMMERCE

Malcolm Baldrige
Secretary of Commerce

Victor M. Rivera
Director
Minority Business Development Agency

Signed in Washington, D.C., this thirty-first day of March 1982.